

Continued from Page 15

But it was not only the greater availability of radio and TV commissions and the willingness of retail organisations to pay service fees that encouraged agencies to move more solidly into this area.

For one thing, retailers themselves have sought the assistance of agencies. "We have introduced retailers to TV," says South Pacific's Leo Prendergast, "and produced commercials for them. After a trial period, they look for something a little more ambitious. The movement to agencies is a logical progression in search of top-line professionalism."

Jim Belich, J Ingalls Wright's chief executive, agrees. "Retailers are looking for

professional help at a level which it is not possible to supply internally. Certainly those media which supply creative services are not sufficiently professional to meet all needs. Particularly, the retailer requires help in both TV and radio."

Pat Smith, Iott's managing director, observes that "not only are retailers seeking to buy professionalism but the cost of running a house advertising department is prohibitive. Nor can a retail advertiser get the same independent attitude from a department that an agency gives it. The agency is always trying hard because it can only afford to be associated with success."

But agencies haven't just waited for the business to come and have been busy initiating their own moves into retail business. Agencies are moving into retail because the bogey of escalating overheads

must be overcome," Smith states. "Agencies can't continue to exist on a fixed income and so must look for previously unexploited sources of income." Iott handles McKenzie's variety chain in print and Four Square and Wardells food stores in electronic media but have developed other retail accounts such as Guthrie Bowron and Hugh Wright's.

"I believe that New Zealand is following an overseas trend," says Ross George, managing director of Carlton-Carruthers Du Chateau, "particularly evidenced in Australia and United Kingdom. In the UK, government and retail advertising have been the growth areas for agencies. As manufacturers keep funding retailers' advertising ap-

propriations, more and more of what would have been national advertising monies is finding its way into the retail



ROSS GEORGE ... overseas trend.



JIM BELICH ... retailers search for professionalism.

area. Private brands are proliferating and major food retailers are starting to do a brand job on their private labels. So it is natural for agencies to look at the potential in this area. I was told in England recently that an agency which did not have one or two significant retailer in its portfolio was not keeping up."

Carlton-Carruthers has handled the Hannans Fosters chain for many years and has recently acquired several accounts of a method & multiple store description.

"We don't differentiate between national and regional business," says Hywel Mackley, chief executive of Colenso Communications. "It's all advertising. Colenso's business is more and more business than any other New Zealand agency with Woolworths, Smith Bros, Maple, and a large share of Challenge allocations via Wrights and Wrights New Zealand and Kentucky Fried.

How does retail fit into the pattern of agency access handling customer gear to national business?

"There are points where it can cause problems," Belich comments. For decades, JW has handled all facets of the Hallenstein clothing chain account and over the last two years has increased its retail business. "Retail is now, because the Budget shows a move toward greater flexibility in economic management,

"Flexibility is seen in the decision to free the dollar from the system which has previously set the value of our currency. It is seen in the changes to tax rates later this year, when the flow through effects of some Budget measures and earlier decisions will show up.

"We have no separate department for retail," states George. "It takes additional staff and you require retail oriented people, both in account handling and creative areas," is Smith's opinion.

Colenso holds a different viewpoint. "While it's still fashionable to say that advertising requires a special kind of expertise," says Mackley, "we think it's simply a matter of being brought back to the grass roots of advertising. Our creative and account groups handle both national and retail and relish the opportunity of tackling the opportunity of tackling retail assignments. One reason is that you're going to know is short order how effective your advertising is. There is less accountability in retail advertising and it requires much more discipline. But you're there close to the coal face. You not only see the action but you're part of it. We would only become concerned if our creative people began to get bored. It hasn't happened."

The move into retail is already proving an important revenue and profit source. No statistics are available but the purposeful stalking of the larger retail organisations by major agencies is an indication that retail fees and commissions are expected to make even larger contributions to agency returns in the future.

The political issue is that the move into retail is not without any subsidies or allowances.

A halfway-house suggestion, made by "more market" advocate Ian McLean, is to switch from input subsidies for firms to reliance on the supplementary minimum price.

The political issue is that the Budget has not made clear the intention. The 5 per cent devaluation was about to reduce the exchange rate to the level which would allow an easy transition from reliance on the supplementary minimum to reliance on overseas earnings.

"Further development of retail business is not logical but makes for better utilisation of resources," remarks Belich.

"Retail advertising is not profitable as national but gets there on sheer volume. It's firmly in the growth pattern now," says Smith.

"There is still further growth to be made in agency handled retail," asserts South Pacific's Prendergast, "especially in the regional areas."

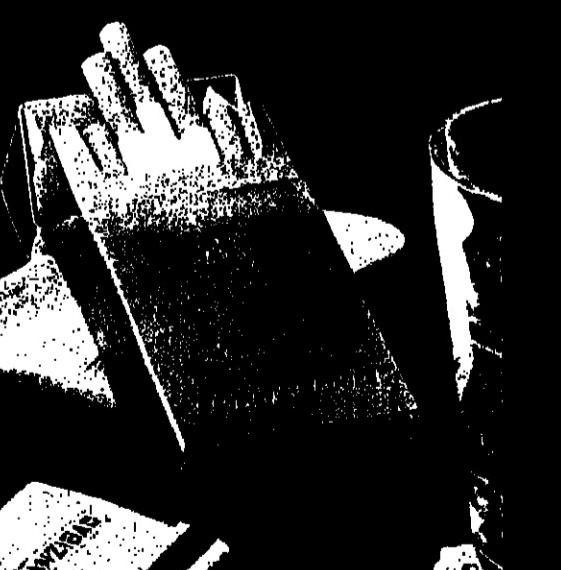
In the volatile advertising agency business nothing seems so persistent as the cyclical nature. A half-century ago, important agencies such as Iott and Goldberg had strong, well-staffed departments devoted solely to serving retail clients all over the country.



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# MULDOON BUSINESS REVIEW

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Volume 9 No. 23 (Issue 340) June 27, 1979

## Budget moves toward greater flexibility — through fiat

by Peter V O'Brien

CAUTION dominated the Budget presented last week. The political conservatism of Finance Minister Muldoon tempered the arguments of those who have called for sweeping changes to the country's economic structure. But he had a victory.

"There are points where it can cause problems," Belich comments. For decades, JW has handled all facets of the Hallenstein clothing chain account and over the last two years has increased its retail business. "Retail is now, because the Budget shows a move toward greater flexibility in economic management,"

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This point has already received unfavourable comment. Taxation has been the prerogative of Parliament since the great constitutional battles between the Crown and the Commons in Britain. While the government proposes to reduce taxes by regulation, rather than (so far) to increase them, the proposal is only a short step from finding pressing reasons in the "national economic interest" to tune financial affairs by giving some powers to lift taxes in particular areas.

It matters not that the executive will declare it has no intention of taking that final step. Altering taxes in any direction by executive fiat is a dangerous precedent which goes to the core of a parliamentary system. Exporting businesses will benefit from deviation, and from the system of forward exchange cover. The latter will lessen the risk inherent in the previous method of obtaining forward cover. Extension to a period of one year brings more certainty into exporting, while underpinning the flexible exchange rate policy.

Budget sets the scene and opens up the economy for the stable advance and the export-oriented restructuring which should now be our common goal".

"Signals" is a Treasury word, which officials have used in discussions with the private sector.

"Although we have made major inroads into the unprecedented external deficit that existed when we took office, there is still some distance to go. Going that extra distance will require further changes in the economy and this Budget is designed to establish the right environment for these changes to take place as quickly as is consistent with the shorter-term restraints."

Details of export incentives were still awaited when NBR went to press. Comments from industrialists suggest they will be favourable, particularly as the base year is abolished.

The Budget's other failure is the omission of an energy policy, apart from piecemeal moves.

The magnitude of optional investments is paralyzing officials, with the fear of the economic consequences if policy turns out to be incorrect as the investment is put into place.

Finally, all Muldoon Budgets contain their humour. Last year we had tax rebates for school children who could earn up to \$549 a year without paying tax.

This year, it is the "Investment Unit" to be established within Trade and Industry — "which will be responsible for guiding potential investors through the procedures required by Government departments and agencies". Officials won that round, but a more inappropriate place in spite of the "positive approach" suggested would be hard to imagine.

NBR suggested earlier in the year that an independent development corporation is needed. That view is unaltered, because public servants, through the nature of their particular training and outlook, are the wrong people to go swimming in the entrepreneurial pond.

ECONOMICS Correspondent examines the budget forecast for a \$1 billion deficit. — Page 23.

THERE may be a place for private enterprise accountants in future Government departmental financial management. Colin James reports — Page 11.

CABINET is a secretive, powerful body, dominated by the Prime Minister and consisting of a few able men and many whose absence of talent must be hidden. MP Marilyn Waring argues for a Cabinet more representative of the people. — Page 21.

GOVERNMENT is making a major upgrade of one of its computer systems. Stephen Bell asks will it be the first of several this year? — Page 24.

TA. TION is "legalised but dirty" like being robbed at the same spot each week. So when you've had enough, just go by a different route. Rae Maxengaro previews next month's Offshore Tax Conference and asks: will it mark the beginning of a tax revolt here? — Pages 25-27.

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# Beware the woman with the furled umbrella

by Colin James

A POLITICAL organisation which debates what its function is, is either in the wrong game or has some growing up to do.

The established political parties never have to think about what they are there for. They are in business to get members of their party elected to Parliament — the more the better.

They may argue, as the National Party is doing this year, about what the MPs should do once in Parliament. But that is a subsidiary consideration.

Similarly, the single-issue political lobbies, such as the Society for the Protection of the Unborn Child, Half All Racist Tours, or the Native Forests Action Council have no doubt what they are about.

It is to have as many exceptions carried through to birth as possible, or to stop all sports contact with white South Africa until it turns into black Azania or to get the ravaging hordes of axemen to

"spare that tree" if it happens to be New Zealand-bred.

No reminder is needed of the single-minded political pursuit of sectional interests by the economic lobbies, such as the manufacturers, importers, or Canterbury walnut growers.

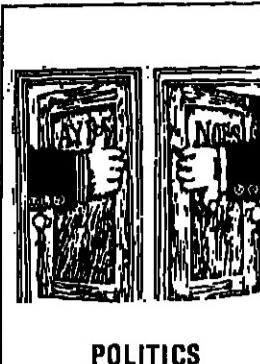
The identity problem seems to occur when an organisation fails between the two roles — the pursuit of a single political aim or a frontal bid for institutional power.

Thus, in the early Labour movement, arguments raged back and forth on the relative merits of revolution and redistribution.

Splits and splits plagued the movement, sometimes compounded by regional variations. Attempts at unification kept founders on the failure to agree on objectives and methods until Massey pushed them into a disciplined reformist parliamentary alliance by smashing the militant unions.

The first implies centralisation and professionalism, the development of the political tunnel vision of the other parties.

The second probably would



POLITICS

wanted to do was implement Douglas credit (or son of Douglas credit or deviate son of Douglas credit) or whether it wanted to be the Government.

This underlay the wrangles in the 1960s between those who wanted to centralise the organisation and those who wanted maximum local autonomy.

Then after John O'Brien's rocky reign in the early 1970s, Bruce Beetham and George Bryant converted the traumatised remnants into a professional power-seeking outfit with political aims that go far beyond social credit.

Values has not got there yet. It did it really want to win seats in Parliament and on local authorities? Or does it want to be a super pressure group, unevenly active at national and local level on social and environmental issues?

The first implies centralisation and professionalism, the development of the political tunnel vision of the other parties.

The second probably would

lead Values to, in Tom Scott's apt phrase, "biodegrade in our own accord", party members being gradually reabsorbed over the long-term into the organisations. Values works.

Which brings me to the Women's Electoral Lobby. It is not a single-issue lobby like Spuc, nor an economic lobby like the manufacturers.

Its name and its aim of equal opportunity for women in political, social, economic and legal life, taken together with its past canvassing for

parliamentary candidates, backing of local authority candidates in some areas and issue last year of a manifesto, suggest an analogy with political parties, not in their maturity, but in their formative stages.

It is usual for the Government to balance the books after expansionary election spending.

But the 1979 Budget forecast a deficit of nearly \$110 million next year.

The deficit will probably turn out to be considerably higher.

During the first six months of 1979, economic conditions were more buoyant than they had been for some time. The economy was poised on a tightrope between deepening recession and slight growth.

A restrictive Budget would

have added to the impetus of other economic mechanisms, pushing the economy into recession again.

Last week's Budget faced up to this reality. The Prime Minister said: "Our most recent information indicates that the economy will be somewhat less buoyant later in the year. While the immediate situation requires further restraint, it will become necessary to adopt rather more expansionary fiscal stance later this year."

"This will offset the contractionary effect on real disposable incomes (incomes adjusted for prices and taxes) which would otherwise be

caused by the combination of monetary restraint, rising prices, and the effect of inflation on the tax system."

In fact, the effects of inflation on the tax system are significant.

Despite tax cuts taking effect from October 1979 and further cuts proposed from October this year, the Government expects to collect nearly 25 per cent more in direct tax revenue this year than it did last year.

From October this year, the rate of tax on taxable income between \$4500 and \$10,000 a year has been reduced from 38 to 35 per cent. Those with taxable incomes between \$10,000 and \$11,000 will pay tax at a rate reduced from 48 per cent to 35 per cent.

Families will benefit from new income-tax measures designed to raise the income level at which the rebates for young families and single income families begin to abate.

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## Economics Correspondent

IN A surprise move, the 1979 Budget called for increased Government spending and some tax cuts.

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at which duty begins to \$100,000.

The remaining stages will raise the level to \$150,000 on April 1 1980 and to \$250,000 the following year.

Large increases in revenue will allow the Government flexibility to increase expenditure this year while still reducing the deficit slightly.

The Government has budgeted for growth of nearly 12 per cent in its spending from \$850 million in 1978-79 to nearly \$700 million in 1979-80.

Expenditure on social services is budgeted to increase by nearly 17 per cent.

It is difficult to tell from the Budget whether growth in other areas will be as high because \$400 million has been set aside in the supplementary estimates and no indication is given of how that will be distributed among the various departments.

By planning to keep Government spending at about the same level in real terms as last year, the Government is finally responding to economic conditions.

There is a risk that inflation will increase, but if the real economic growth rate remains positive, this may not be so bad.

ministration and development of industry will be much greater than budgeted once the appropriations are adjusted to reflect public servant salary and wage increases to be decided later this year.

The individual votes accurately reflect the Government's intention to cut back on capital spending by the public sector.

This should please those interested in seeing the size of the public sector reduced in the long-term. But the move may prove premature if business confidence in the private sector remains despondent and if reluctance to start up new investment projects continues.

By planning to keep Government spending at about the same level in real terms as last year, the Government is finally responding to economic conditions.

There is a risk that inflation will increase, but if the real economic growth rate remains positive, this may not be so bad.

# Fancy footwork government faces fiscal facts



increasing from \$450 million in March year 1979 to \$620 million this year.

About \$50 million of the increase will be collected from a new sales tax on beer of 30 per cent and a 15 per cent tax on cigarettes and other tobacco products introduced from midnight on June 21.

The exemption level of all estates, on which duty is payable, will be raised from \$25,000 to \$250,000 in stages over the next four years.

The first stage, taking effect immediately, raises the level



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## EDITORIAL

THE Prime Minister has long been an unabashed admirer of Britain's Margaret Thatcher, but admiration hasn't led automatically to emulation. Thus he didn't borrow her Conservative Government's Budget formula in planning New Zealand's economic strategy for the next year — or till the next demand for fancy footwork.

Britain's formula was stronger incentives to work hard, by lowering income taxes (to offset sales taxes); reduction of the state's role; cuts in public spending; and encouraging responsible wage bargaining.

Muldoon has tinkered with the tax structure, maintained the state's role generally, increased public spending, and set the scene for industrial problems when the inevitable inflationary pressures (a CPI figure of 17 per cent this year, according to some economists) result in bigger wage demands and union unrest.

Any suggestion of tax reform is nothing more than sleight of hand. The Government will collect nearly \$1000 million more in income tax than last year, a total of \$580 million (an increase of 25 per cent). This is by far the biggest component of the direct taxation of \$4618 million which the Government plans to take.

Indirect taxation, on the other hand, is being increased by just under 20 per cent to \$1331 million. Sales tax up 10 per cent on last year's accounts for the bulk of the increase, but as a proportion of total tax, it is less than last year.

Tax reformists like Lewis Ross have spent more than a decade calling for taxation to be spread over the widest possible base to minimise the rate necessary to yield the desired level of revenue. Since the committee he chaired (the Ross Committee) reported on the tax issue back in 1968, about 70 per cent of its recommendations have been implemented by successive governments. But the rub of the report — a fundamental shift in the incidence of taxation from taxes on incomes to taxes on consumer spending — has yet to be embraced by Government decision-makers.

The Planning Council has lent its voice to the reformist cause. "The council believes that tax reform could assist in removing much of the present disincentive to initiative and effort, while at the same time lessening pressures for higher gross incomes," it reported last year. It called for urgent progress on tax reform to be undertaken throughout the 1978-83 planning period.

The reform lobby sees a number of benefits in shifting from income tax to taxes on expenditure: a boost to growth, a halt to the disenchantment which is driving skilled and enterprising people overseas; and less pressure on unions to be involved in continual rounds of demands for higher (and inflationary) wages.

Last year, the Budget included a package of personal tax cuts. But that was election year — and no sooner had the election result become apparent, according to a report at the time in the New Zealand Herald, "than Treasury officials are understood to have suggested that the Government have them report on the increasing problems of the internal deficit..." And so we were landed with a hefty bundle of sales taxes six weeks before Budget night. By then, the phenomenon known as fiscal drag had eroded the benefits of last year's tax cuts.

But whatever the need for comprehensive overhaul in the tax system, this wasn't the year for it. Muldoon declared eight years ago — just before the election of the Kirk Government — that he had "spent it all". He and his Government are still spending — and to spend, have been borrowing heavily. This year's Budget therefore, was prepared with Government thinking strongly influenced by the awesome internal deficit of almost \$1500 million it has recorded in the last financial year.

The Government therefore, has chosen to reap the optimum in taxes. The whirlwind will be reaped later.

Bob Edlin

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ROAD Services is buying more Japanese coaches to replace its British-built Bedford.

The order was news to the Australian Financial Review

which the other day reported

that 20 new Hino coaches were

being added to the Road

Services fleet.

But it certainly was not the

latest scoop as far as Road

Services are concerned.

"They have just about been

worn out by now," a

spokesman said.

The last coach in the 20-

order batch took to the road in

March to clock up a yearly

average of 100,000 kilometres.

Seven more are being built in Dunedin and a contract for

another 15 is about to be

signed. That is news.

●

DARING to compete or just

rocking the boat in one of this

country's licensed industries,

just doesn't pay off.

Mohsin Krasnigil, director of

the Middle East Export

Company, was first in to

establish New Zealand trading

contact with the new Iranian

regime. He came away with an

order for 10,000 tonnes of halal

lamb worth \$14 million.

But the Meat Exporters

Council would not supply him

with product... at any price.

So Krasnigil took his case to

Government, the Meat Board

and the press. He also went

public on his ideas of how New

Zealand should develop its own

halal butchery to compete in

Moslem markets.

Since the visit to New

Zealand by the Iranian

delegation, Krasnigil said his

company had been completely

frozen out of the meat trade.

Licensed meat companies will

not even supply him with

edible offal — for which he has

orders.

To export New Zealand

meat, you need more than

money and a market, one also

needs a meat exporter's

licence.

Krasnigil has applied for a

licence. But to no avail.

He has had to deal in the past

through licensed exporters

and obtained a commission for

Air New Zealand.

●

Information on fare structures,

travel advice, visa in-

formation, background on

local customs in export

markets, dates and in-

formation on trade fairs, etc.

The club's fare reductions

had not yet been determined

and would depend on the

volume of business, South-

combe said.

"When we know the volume

of business we can negotiate

the benefits," he said.

Thomas Cook, a subsidiary

of Midland Bank, had five

offices in this country. United

Travel Services was a con-

sorium of 45 travel compa-

nies with 90 offices throughout New

Zealand, he said.

And which airline would get

the club's business? NBR

asked. "All the airlines are

members of the institute,"

Southcombe said. "But we

have a basic loyalty to our

national carrier.

●

THE Export Institute is

moving into the cheap travel

field with an arrangement

between themselves and two

tour wholesalers.

Export Institute director

Ross Southcombe said the

Institute had reached

agreement with Thomas Cook

Pty Ltd and United Travel

Services to operate an

executive travel club for its

members.

The institute's 2000

members would constitute the

biggest single group of

business travellers in New

Zealand as well as providing a

significant amount of air-

freight," Southcombe said.

"I hope, by providing this

service to members we can cut

the cost of air travel, hotels,

and rental car hire," he said.

The club would also provide

information on fare structures,

travel advice, visa in-

formation, background on

local customs in export

markets, dates and in-

formation on trade fairs, etc.

The club's fare reductions

had not yet been determined

and would depend on the

volume of business, South-

combe said.

●

Information on trade fairs, etc.

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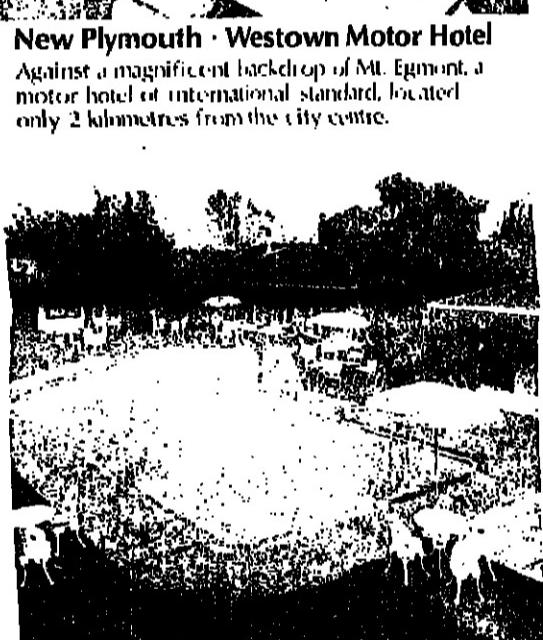
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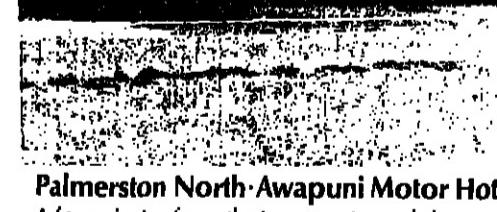
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## Cut-price bottle stores face supply battle

by Rae Mazengarb

THE liquor industry giants may have been ganging up on small cut-price liquor outlets in an attempt to put the stopper on a trend towards competitive pricing policies.

When the Commerce Commission holds its public inquiry next month into allegations of restrictive trade practices, the heavies will be fighting to preserve their right to prevent discounting of their products.

But already the Examiner of Commercial Practices has said their actions are against the public interest in that they prevent effective competition in the market place.

Westport-based wholesaling company Baile Wines and Spirits Limited — operating on margins lower than those traditionally taken in the trade — for some time has been supplying hoteliers with cheap liquor. Those hoteliers in turn have become known for passing those competitive prices on at retail level.

But in March this year,

Baile's major suppliers refused to supply certain products to the maverick company except on terms which Baile claims are so disadvantageous as to be likely to deter the company from acquiring the products.

Apart from its wholesale and private trade business in the Westport area, Baile operates bond stores and warehouses in Christchurch and Dunedin, and recently established stores in Palmerston North and Auckland.

Philips & Pike Limited, of Wellington is a subsidiary of Dalgay NZ Limited; it is the New Zealand agent for Beefeater gin, Cointreau, Drambuie, Tia Maria liqueurs and other well-known lines.

The examiner pointed out that Beefeater gin has been discounted by several retailers in Dunedin for the last 15 years.

He also pointed out Wellington's Western Park Tavern had recently promoted that product at reduced prices, but no action had been contemplated against that outlet.

Thus products for Baile's customers in other areas would have to be transported first to Westport, placed in bond, and then transported on to Christchurch, Dunedin, Auckland or Baile's expense.

About that time, major wine producers also refused to supply orders from Baile for delivery in Christchurch and Dunedin, but these suppliers later agreed to return to previous terms of sale.

But other major suppliers, who adopted Philips & Pike's new terms of supply, have stood their stance. These companies are Canterbury Wines and Spirits Limited, Christchurch; Fletcher Hampshire & Co Limited, Christchurch; and Hughes & Co Limited, Auckland.

In a report to the Commerce Commission, the Examiner of Commercial Practices says: "At this stage I do not have any evidence on whether there are any agreements between the wholesalers which resulted in them acting in a similar manner, or around the same time, or whether the timing is mere coincidence. Philips & Pike has indicated it acted in business activities."

According to Baile, the financial position of the company, since it is unable to absorb the extra costs.

Because Westport is out on a long-term limb, the company will have to maintain very high stock levels.

Not only does this mean the company will have to expand

its storage facilities, but more working capital will be required to finance products tied down in a long transport system.

Baile decries this as "ridiculous", in view of the fact that stock will be passing right through its final destination.

"Quite frankly, if we have to work through Westport the additional costs would force us to re-examine our present margin and this plus the freight would be reflected in a needless increase in the price of product to the consumer," Baile managing director S G O'Keefe told the examiner.

The examiner took such a dim view of Philips & Pike's actions that even while the other investigations are continuing he submitted his report to the commission.

He is unimpressed with the reasons submitted by the Wellington company to justify the practice.

Philips & Pike maintain that discounting or price reductions tend to lower the status of the product.

The examiner pointed out one of the main objects of the Commerce Act is to secure effective competition.

"I do not believe the general public identified a reduced price with an inferior product," he said — especially when those products are as doubtful.

By imposing sanctions against those customers who chose to reduce their prices, Philips & Pike may even be operating an illegal individual resale price maintenance practice, he added.

Philips & Pike argued the principals in UK would cancel the agency agreement if the product were discounted.

The examiner pointed out that Beefeater gin has been discounted by several retailers in Dunedin for the last 15 years.

He also pointed out Wellington's Western Park Tavern had recently promoted that product at reduced prices, but no action had been contemplated against that outlet.

For those who have battled the breweries in the past, the case could score them plenty of points, if Baile retains its right to sell liquor at cut rates.

They point out that the consumer will get a better deal if price competition is allowed to develop.

Holders of wholesale licences under section 67 of the Sale of Liquor Act 1962 do not necessarily always sell wholesale.

Consider the different business activities of Baile Wines and Spirits and Philips & Pike.

Philips and Pike sells only to licensees, such as wholesale licensees and licensing trusts.

benefited and any return to a more restrictive form of trading would not be in their interests.

Moreover the only change in the trading pattern was that which occurred recently. For four years Philips & Pike had supplied to Baile on the previous terms.

An extension of Baile's activities to the North Island was simply an expansion of the company's sphere of operation.

Philips & Pike had emphasised that the volume of business affected by the dispute was insignificant.

"Given this allegation", said the examiner, "it is difficult to take seriously (the) other claim that the whole industry would be detrimentally affected if Philips & Pike remained supplies on previous terms."

The examiner was satisfied that the new practice would jeopardise Baile's business prospects, particularly in the

North Island.

He concluded the practice was contrary to the public interest within section 21 of the Commerce Act.

"The situation could well arise where Beefeater gin would have to be transported from Auckland to Westport, and then from Westport to Palmerston North or back to Auckland. In practical terms, however, Baile's assessment is that the practice will effectively prevent it from competitively selling liquor in the North Island, and this, presumably, is the objective of the practice," the examiner said.

When the preliminary hearing of the complaint is held by the commission early next month — to determine what parties will take part in the substantive hearing a few weeks later — the full implications to the trade should be known.

For all those wishing to come to the party there will be a lot at stake.

Baile and its customers had already become well known because of their willingness to provide products to the public at lower prices than normal and the examiner saw this as a healthy development.

Because the companies which are being detrimentally affected by the practice stand out in the industry because of their effective and competitive pricing policies, their influence on attitudes in the industry and the competitive policies of other companies is in my opinion vital if effective competition is to be secured", he said.

Already Glenelth Holdings Limited, one of Baile's customers, has confirmed that retail prices will have to be increased by the same amount as Baile's increase to the

customer.

The practice has the effect of

increasing the costs relating to the transport, storage and distribution of the sale of liquor products.

by Rae Mazengarb

CRACKS are showing in the brewery dominance of the liquor trade.

Industry observers say the Baile case is likely to destroy the entrenched position of the liquor merchants.

The Commerce Commission's approach to the case largely will determine the principles to be applied in other cases where complaints to the Examiner of Commercial Practices have alleged restrictive trade practices have been committed.

Philips and Pike argued the principals in UK would cancel the agency agreement if the product were discounted.

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Holders of wholesale licences under section 67 of the Sale of Liquor Act 1962 do not necessarily always sell wholesale.

Consider the different business activities of Baile Wines and Spirits and Philips & Pike.

At stake for the wineries was their right to sell direct from the winemaker. Corbans, McWilliams and Montana would not supply it direct. Wineworths is said to be the biggest independent

but Baile sells to licensees such as hotel-keepers and also conducts a retail trade.

There's a third type of

wholesaler who holds such a licence but elects to sell direct to the public in "wholesale" form.

Baile didn't touch the product but simply billed customers, albeit at a cut rate.

But the Westport company refers to the reasons for its expansion into Christchurch and Dunedin — and most recently Palmerston North and Auckland. The major breweries bought many of the hotels in the Westport area which formerly made up the bulk of Baile's wholesale customers.

From then on those hotels obtained supplies through brewery sources and Baile had to seek outlets in other areas to maintain viability.

For Baile's customers, the arrangement was ideal.

Glenelth Holdings Limited

has outlets in Dunedin,

Christchurch and, more

recently, Auckland. It is a

holder of a wholesale licence,

but preferred to use Baile

at Russell.

The association complained

that it had to absorb un-

necessary costs on beer that

was supplied direct from the

breweries but invoiced

through specified liquor

merchants.

It was the expansion of the

price war to the North Island

which forced the cartel to fight

defend its own position.

Glenelth could in turn offer its retail customers a more competitive deal.

Thompson says if it does

this, it will buy direct from the

winemaker and will drop

mark-ups substantially.

After Wineworths, others

will doubtless follow — if the

plan works.

This is the threat that hangs

over the established trade.

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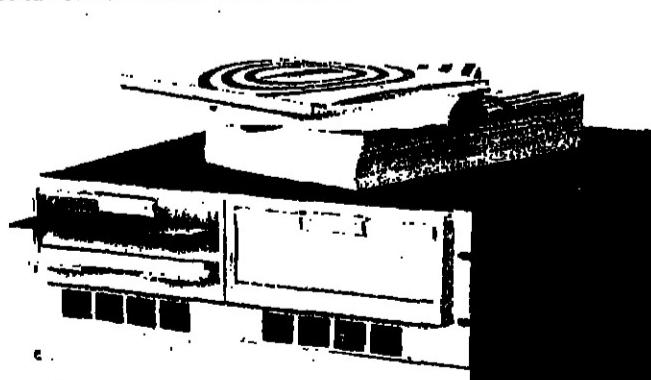
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## Reserve Bank moves on local body stock ploys

by Warren Berryman

The Reserve Bank issued an ultimatum to the 30 or so specialised money market dealers trading in local body and Government stock — either stop bending the rules to push local body stock interest rates beyond their regulated 13½ per cent or lose your status as a Reserve Bank recognised dealer.

Interest payable on local body stock is held to 13½ per cent — one of the few remaining areas of regulation in a deregulated money market.

Reserve Bank Deputy Governor Dick Wilks advised dealers: "It has been brought to the Reserve Bank's attention that the controls on the interest rates which may be

offered by local authorities are being circumvented by arrangements apparently involving some brokers, local authorities and trading banks."

Wilks did not say how these arrangements worked.

While there are several variations on the theme, NBR understands a typical arrangement for circumventing the 13½ per cent limit goes something like this:

A broker goes to investors, offering about 14 per cent for local body stock. (Interest rates for local body stock current last week were 14.01 per cent.)

The money gathered from investors is lent to the local body at the regulated 13½ per cent.

The local body, not needing

its cash immediately reinvests it with a trading bank. By prior arrangement between local body, trading bank, and broker, the bank pays the local body an artificially low rate of interest on its deposit.

For example, the current rate for a six month deposit might be 12 per cent, but under the arrangement the bank only pays 8 per cent. This leaves the difference — 7 per cent — to be paid to the broker as commission.

The broker keeps some of this commission for himself, and pays the rest to the investors to bring their investment yield in the local body stock up from the 13½ per cent to 14.01 per cent.

The end result is that the investor gets his 14 per cent yield on local body stock. And, because the local body is forced to accept an artificially low interest rate from the trading bank as its part of the arrangement, the local body is paying 14 per cent for its money.

"The Reserve Bank regards this matter seriously and accordingly requests any specialised dealer involved in this practice to cease doing so forthwith. If it comes to our notice that any specialised dealer is persisting in organising these deals after receipt of this letter it is the

bank's intention to review such dealer's status.

"Recognition as a specialised dealer could be removed without notice," the letter said.

The Reserve Bank's

recognition gives a specialised dealer direct access to the Reserve Bank allowing it to

wholesale Government stock.

Traditionally, local body

stock has yielded interest rates

0.5 per cent better than

Government stock. This dif-

ference is maintained at the

regulated rates — six-year

local body stock at 13½ per

cent against five-year

Government stock at 13 per

cent.

But local body stock looks

far more attractive when

after bending the rules, one

can receive 14 per cent.

Money market sources

claim the fault lies not with

those dealers circumventing

the regulations, but with the

regulations themselves.

They ask why this area

should be controlled when

controls have been lifted on

receiving interest rates.

The winner is the broker who

private motorist."

Until that time, there is already evidence of private companies agreeing to supply the public, and to share fuelling stations.

West and Brown's paper

proposes that the Government

go much further than its

Budget measures.

Tax write-off allowances for

vehicle refuelling stations,

the provision of low interest loans,

and the conversion of all-

suitable Government vehicles

were needed for start, said

West and Brown.

They want moves made to

develop cheap vehicle

conversion assembly lines,

to train personnel, to develop

local production of CNG

componentry, and to

formulate appropriate

standards of safety and

operation for CNG-powered

vehicles.

Although higher powered

LPG holds more attraction for

the individual motorist, West

and Brown claim that "LPG

does not compare favourably

with CNG under any

scenario".

CNG conversion systems

have a marked cost

advantage. In some categories

— specially taxis and heavy

goods — the use of either fuel

can be economically justified,

and the two are likely to

compete for market

penetration.

West and Brown proposed

that both fuels should be

utilised on a geographical

basis.

"CNG has immediate

potential only in those North

Island areas that are gas

reticulated . . . it has no

application to non-reticulated

North Island regions, or the

South Island. It is in these non-

reticulated areas that LPG

should be utilised."

Unrestricted competition

between the two, say the

experts, "could reduce their

potential as petroleum savers,

and would restrict the

economy of scale effect,

particularly in the distribution

of LPG".

The Government is kicking

its heels. But BP and Shell,

with the sole wholesale rights

to LPG, are moving.

Organisation for a chain of

11 LPG outlets from

Wellington, to Whangarei

is under way, and should be

complete by the end of the

year.

A distribution network is

planned for the whole of the

North Island, the same lines

as that existing for petrol.

The companies have no

plans for the South Island.

The availability of LPG will

always be governed by the

Maud gas draw-off rates. The

greater the gas use, the more

LPG.

"We don't want en masse

conversion, till we have

specialists," says West. "After

two years we will have the

experience and the in-

frastructure to encourage the

use of LPG.

Other sectors of the money

market?

No number of regulations

will prevent willing lenders

and willing borrowers from

getting together to strike their

own deals. But circumventing

regulations does add to the

costs borne by both lender

and borrower, they claim.

Wilks said the Reserve Bank

was not in the habit of making

idle threats but that they had

not had cause to lower the

boots on any dealer since the

letter was sent out on June 1.

Wilks said that since these

sort of deals snowballed in

recent months it has become

almost impossible for a local

body to stick by the rules and

raise money.

"We would like all local

bodies to have an equal bite at

the money available", he said.

"But as it is now the big local

bodies have an advantage as

they can jack up these sort of

deals themselves."

As for the dealers involved,

Wilks said, "it was a case of

the

## FIJIAN TAX CONGRESS ATTRACTS NEW ZEALAND, AUSTRALIAN AND AMERICAN VISITORS

New Zealand's first Offshore Tax Congress scheduled to be held at the new Naviti Resort Hotel in Fiji on July 28-29, has attracted a great deal of interest, not only from New Zealanders (for whom the conference is intended) but also from Australians and Americans.

In addition to New Zealand registrants, sizeable contingents will also be coming from the United States and Australia. Principal speaker at the congress will be well-known Australian tax lawyer and author, Peter Clyne, LL.M. Other speakers include Wellington's Bob Jones, and Auckland barrister and tax lawyer, Bruce Grierson.

The purpose of this gathering is to discuss methods by which New Zealand business and professional men can structure their affairs in such a way that the end result is that they will pay less tax than they may currently be paying.

Cost of attendance, including all congress fees, air fares, accommodation, etc., range from \$555 for a three day stay to \$695 for a 10 day stay in Fiji.

Full details on the congress can be had from Professional Publications, P.O. Box 820, Wellington. (Telephone 728231).

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## State auditor calls for private accountant aid

by Colin James

THERE may be a place for private enterprise accountants in future Government financial management.

Whereas, it would be to help departments set up or revise financial management systems.

Outside accountants have been used in specific projects in the past — in the Audit Office team which investigated departmental financial management and in a highway Department working party to set financial objectives.

Whether they will be used more regularly in the future is yet to be decided by the Treasury — and will not be decided until the new financial management division is set up in the near future.

The idea comes from a task force which since last year has been working on problem areas pinpointed by the Audit Office investigating team.

The team said there was a serious shortage of competent accountants in administrative departments and recommended a survey to "establish the need in Government for financial personnel by type and level".

This has now been done by the task force and the State Services Commission. Task

force head, deputy Auditor-General Jeff Chapman, says the survey showed there was not a great shortage of accountants. Rather it may be that some are misplaced.

The problem is one of quality rather than quantity, he says.

The task force is recommending to the Treasury that a centralised pool of qualified accountants be set up to fill temporary vacancies and undertake specific assignments such as helping individual departments set up financial management systems.

It is in the second role that the task force sees the possibility of outside accountants being brought in on short-term contracts, or on a consultancy basis.

The Treasury aims eventually to improve the quality of accountants in the administrative departments themselves.

Nevertheless, as a second-best short-term solution, the pool is likely to have some appeal.

Treasury assistant secretary J. R. Battersby is keen to attract more accountants from outside the public service to the permanent financial management committee.

But he added: "I don't think public service salaries would attract people of the calibre we would want."

Chapman sees salaries as less of a problem than the existence of an attractive career structure. This was also a preoccupation of the Audit Office investigating team.

There is no indication yet that salaries for accountants will be raised. Any improvements are more likely to be in the nature of opportunities to reach higher levels than at present.

If the task force's idea of a "pool" of accountants is adopted, the pool would most likely be attached to the proposed new financial management division in the

Treasury.

The division will be put together when the "director of financial management" is appointed within the next few weeks.

It will have overall responsibility for improving financial management in the public service.

It will comprise two existing sections, the management accounting systems section and the resource management section. Though its head will not be at assistant secretary level, as the Audit Office investigating team recommended, the upgrading of

status from section to division will improve the status of the financial management function in the Treasury.

In the meantime some progress has been made on improving training for accountants and those involved in financial management, another concern of the Audit Office investigating team.

Battersby says these courses will not be a victim of the current university cuts.

At "technician" level — senior clerks who do the "bookkeeping" in departments — Battersby hopes soon to get courses going to improve their knowledge of Government accounting overall and improve their efficiency.

Battersby says that six-week Government finance and accounting courses for senior financial managers — who are now often not trained accountants — are due to start at Victoria University in Wellington in November.

Battersby says these courses will not be a victim of the current university cuts.

At "technician" level — senior clerks who do the "bookkeeping" in departments — Battersby hopes soon to get courses going to improve their knowledge of Government accounting overall and improve their efficiency.

## Task force examines records design

by Colin James

A TASK force under deputy Auditor-General Jeff Chapman is now examining whether the system that records the Government accounts needs to be redesigned.

The system is now 10-years-old and a number of additional functions have been tacked on to it. Last year the Audit Office team investigating government departmental financial management criticised some aspects of it.

Treasury assistant secretary J. R. Battersby is studying whether the system needs to be redesigned or whether it can be further patched up.

Redeesigning would be a lengthy exercise, he says. Last time it took two years.

The Audit Office investigating team criticised the accounting reports supplied to departments as being in numeric code, unintelligible to financial managers without tedious clerical analysis.

The Audit Office said some departments were getting plain language reports — Battersby says most departments now are — but these reports were not detailed enough.

The Audit Office also said the reports were only of money actually spent, and departments often had to maintain their own systems to record expenditure they had committed but not actually made.

This is one of the subjects being reviewed by the task force. It is also looking into another Audit office team complaint — that the accounting reports supplied to departments do not include a comparison with departments' budgets.

The Audit Office also criticised the system of forward projections through Cope (the committee of officials on

public expenditure), the financial forecasting system and policy reviews.

The system was too easy on existing policies and too hard on new policies, it said.

Battersby says the Treasury rejects the Audit Office recommendations that Cope be replaced by a system requiring departments to prepare three-year projections of the cost of existing policies for review by the Treasury.

He says that bringing other departmental officials into the review process through Cope increases the range of expertise applied to the task, spreads the Treasury burden and encourages acceptance by departments of the final figure which is up to \$200 million lower than departments' original claims.

Battersby also says the

Treasury has approval to develop a system of analysis and review of existing programmes to see whether, among other things, the programmes need to continue.

But this is held up until the Treasury can find a "high-powered man" to head the small group that would do the reviews.

An automatic review of all new programmes after three years of operation has been introduced. This, Battersby says, will require the Government to make a conscious decision whether to continue the programmes.

He rejects departmental criticism of arbitrary cuts forced by Treasury staff on departments.

He says that if departments are not forthcoming with possible cuts, the Treasury has studied.

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The Audit Office said some departments were getting plain language reports — Battersby says most departments now are — but these reports were not detailed enough.

The Audit Office also said the reports were only of money actually spent, and departments often had to maintain their own systems to record expenditure they had committed but not actually made.

This is one of the subjects being reviewed by the task force. It is also looking into another Audit office team complaint — that the accounting reports supplied to departments do not include a comparison with departments' budgets.

The Audit Office also criticised the system of forward projections through Cope (the committee of officials on

public expenditure), the financial forecasting system and policy reviews.

The system was too easy on existing policies and too hard on new policies, it said.

Battersby says the Treasury rejects the Audit Office recommendations that Cope be replaced by a system requiring departments to prepare three-year projections of the cost of existing policies for review by the Treasury.

He says that bringing other departmental officials into the review process through Cope increases the range of expertise applied to the task, spreads the Treasury burden and encourages acceptance by departments of the final figure which is up to \$200 million lower than departments' original claims.

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Treasury has approval to develop a system of analysis and review of existing programmes to see whether, among other things, the programmes need to continue.

But this is held up until the Treasury can find a "high-powered man" to head the small group that would do the reviews.

An automatic review of all new programmes after three years of operation has been introduced. This, Battersby says, will require the Government to make a conscious decision whether to continue the programmes.

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# NBR BUSINESS WEEK

## Oil diplomacy blackens economic recovery

by Peter V O'Brien  
THE "oil crisis" is another of those catch expressions which get over exposure in the community, similar to the treatment given to "restricting the economy". But there is a problem, and it is unlikely to fade in the foreseeable future. Last week the Saudi oil minister, Sheikh Yamani, warned that oil prices would continue to increase, and that even a modest consumption lift of 2.5 per cent a year would seriously deplete international oil reserves by 1988.

At the same time, overseas analyses forecast recession on a large scale unless a solution is found to current trends in prices and consumption. While it may seem ironical that some of these comments emanate from the United States, a

country which seems singularly incapable of effectively controlling its consumption, they are worthy of attention.

The London Economist, occasionally referred to as "the alternative Opposition in St James' Street", has been castigating the Americans for controlling oil prices, rather than letting them rise. Higher prices would put a market inhibitor on United States consumption. That august publication also claims that subsidies should be abolished in the United States.

"Since subsidies in a free market contribute wholly to driving prices up, European officials have called this 'unbelievable', while American officials have replied that Europeans are 'hysterical, unhelpful and

hypocritical' (language used by rattled bureaucrats whose mutually contradictory muddles are in a twist)."

The Economist makes another observation in relation to the oil trade cycle, a cycle which will have a disastrous effect on the poorest countries, both directly, and indirectly as rich countries respond to the effects on their economies:

"So, as the United States slides into recession, the prospects for having that recession moderated by prosperity in Europe and Japan are fading. The countries that are making all the money — Saudi Arabia, Kuwait, Libya — can't spend it, so you can't count on Opec to save the situation. The day the Shah fell marked the true beginning of what may turn out to be the great recession of 1979."

*Forbes*, June 25.

Irrespective of the validity or errors of western government policies, the present situation and policies will have given similar problems in the main economies of Western Europe, the usual reaction will come — re-

trengthening in the world's major economies.

An American comment (which has to be considered in the light of criticism of American policies mentioned earlier) gives a key, albeit it flamboyant, to possible developments:

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in the United States, Europe and Japan will rise this year, beyond the forecasts made at the end of 1978.

A rising United States dollar in relation particularly to the yen (oil prices are expressed in United States dollars) is one reason. The dollar has increased in value about 20 per cent since late 1978 while the price of oil has gone up 25 per cent.

Consequently, the Japanese are faced with a large rise in real terms for a commodity which is vital to its industrialised economy. That in turn will lead to an increase in Japanese inflation, and a deterioration in its balance of payments.

Given similar problems in the main economies of Western Europe, the usual reaction will come — re-

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In view of Kuwait's decision to limit the price of its oil 18 per cent last week, and of Yamani's comments (as usually described as one of the "liberal" Opec oil ministers) the forthcoming Opec meeting holds little hope for immediate relief, although anything is possible in the weird world of political and oil diplomacy.

Assuming that the oil problem continues to deteriorate, New Zealand will face higher import prices at a time when international recessionary forces would affect our exports. That

scenario is a severe constraint to economic recovery in this country.

Among other things, the possibility demands immediate decisions, and implementation of these decisions, on our alternative energy sources, rather than the bumbling of energy bureaucrats which has impeded development.

There might be a way out if the experience of 1973-74 repeats itself. The acquisition of massive funds in Opec hands leads to a recycling of the money in time. A deterioration of the international economy affects everyone, a lesson which was learned a few years ago. If that lesson is remembered the difficult time would be short lived.

But there is another problem this time around. The Meade revival is many things depending on who is doing the analysis. It is certainly a rejection of "values" and systems which are "not incorporated in the accounts".

If that thinking is entrenched, why make concessions in order to support the alternative values and systems, particularly when the aliens have already demonstrated willingness to accept, and condone, your philosophy for their material reasons?

## Don't keep all development risks to yourself

It is well known that product or process development is a risky business. Big money can be at stake for long periods before the product reaches a marketable stage and you see a return on your investment.

As a result many manufacturers refuse to commit themselves to development programmes.

The answer is not to try and go it alone. The Applied Technology Programme, administered by the Development Finance Corporation (DFC), is designed to help out in this area.

Risk capital is available for approved projects, thereby sharing the financial risk involved during the difficult development stages.

Return of DFC's investment is simply related to the degree of risk involved.

DFC realises its return on the investment only when the project begins to generate sales.

And the client retains control throughout.

Don't keep the risks to yourself, share your problem with the DFC, contact your nearest office for details.



### Key indicators

	Current Period	Previous Year	From Corp
Consumers Price Index - all groups base 1971 = 1000 building permits issued	March 1979	1120	+15%
Official Overseas Reserves	Feb 1979	\$ 94.7m	+10%
Registered Unemployed - incl. Maori and women agencies	Mar 1979	\$ 810.7m	+1%
NZX 10 Share Price Index	June 29, 1979	1415	+1%
Kiwibank Share Price Index	June 29, 1979	1380	+1%

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## Analysing annual accounts

by Peter V O'Brien  
A LOT of financial work was done at Tasman Pulp and Paper Co last year. The annual report shows a total reorganisation of the company's finances. The profit and loss account in particular, is a lesson in how to turn a sow's ear into a silk purse.

Tasman sold \$145 million worth of products, of which \$10.2 million were exported. Total sales were down \$5 million on the previous year, while exports were \$6.7 million below the \$110 million in 1978. Industrial disputes were the main reason for the decline in production and in export income.

The company also raised \$10 million in secured debentures stock and \$10 million in redeemable preference shares, a total of \$20 million. The consolidated balance sheet reflects these transactions, which in total represent the biggest financial reorganisation ever undertaken by a New Zealand company in one year. The \$20 million raised in shares and debentures is also the "largest company placement on the New Zealand market", according to Chairman Ron Trotter.

The balance sheet is much stronger than in 1978. A working capital deficit of \$21.2 million was turned into a surplus of \$2.4 million, overseas loans were refinanced on the local market, and some local short-term debt has been switched into term liabilities.

But there are major amounts "off balance sheet". A note to the accounts says that Tasman now has taxation credits worth \$43 million, which are "not incorporated in the accounts".

If that thinking is entrenched, why make concessions in order to support the alternative values and systems, particularly when the aliens have already demonstrated willingness to accept, and condone, your philosophy for their material reasons?

geothermal bores, and the Government's policies provided the tax credit of \$7,756,000. The Development Finance Corporation bought a ship for \$13 million and arranged a charter party back to Tasman, thus eliminating a foreign exchange exposure on yen loans. Since balance date, a second ship has been sold to Tasman with the cost being offset against a debenture in Forestry Shippers Ltd.

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The results of reorganising overseas debt will show up this year. The almost horrific influence of movements in overseas currency is revealed in a note setting out the state of the exchange fluctuation account.

Tasman started 1978-79 with total exchange losses of \$14,854,000. A gain of \$1,100,000 reduced that figure to \$13,754,000. The company then allowed for \$7,903,000 in relation to amounts incurred before April 1, 1978 (and written off) and a further \$12,100,000 in the current year. The current rate of disposal is estimated that the private investor in Britain will be all but extinct by the end of the century.

According to the United Kingdom sources, the personal sector disposed of a net 7.6 billion pounds of company securities between 1973 and 1977, but put just under 23 billion pounds into pension funds and life insurance.

"At the current rate of disposal it is estimated that the private investor in Britain will be all but extinct by the end of the century."

The managers control the market. The brokers aid the managers because they prefer to deal in large parcels, rather than become involved in numerous small transactions, with comparatively high individual costs in relation to the dollar return.

The desire for security of investment is another factor in institutional dominance. Private investors feel "safer" if their funds are in large institutions. The spread of risk is better in a fund than in individual hands, although the chances of making a "killing" are also diminished (those chances are, of course, also diminished as a result of the institutional dominance which can act as a brake on rapid price changes).

The New Zealand market is smaller than those of the United Kingdom and United States, but institutions still dominate.

An analysis of one company shows the growing involvement of institutions in large organisations.

In 1976 the diversified pastoral group, Challenge Corporation, published a list of

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sidered in a different light from the "ordinary" commercial enterprise. The numerous allowances and carried forward credits have to be related to the activities of an organisation which earns more than \$100 million a year in overseas funds. The company's rationale is its contribution to exports, the largest contribution of any single manufacturing group.

The internal costs (Tasman has an unusually wide fluctuation in return on the shareholders funds over the years) must be related to the "benefits" of earning that foreign currency. At that point theoretical arguments become sterile.

There is a total investment of \$244 million in an operation geared exclusively to manufacturing goods from a

local raw material, and to exporting about 75 per cent, in value, of those goods. A sizeable proportion of the remaining sales on the local market (newsprint) is import substitution, which adds to the net foreign exchange position. In that context a performance which relies on Government policy directed to the "common good" becomes more acceptable.

stitutions", in a broad sense of the term.

But it is possible to read too much into the trend, particularly in New Zealand. First, the funds of institutions represent the accumulated savings of many people, who combine their "private investments".

Second, Government control of institutions (through the ratios) the latter must preserve in public sector securities and "guidelines" on house and farm lending) influence the money available for equity investment.

The size of New Zealand companies limits institutions to large groups, because they have problems in buying or selling substantial parcels in the many small companies listed on the New Zealand Stock Exchanges.

"Marketability" is an important factor in an institution's investment decision, as is the cost of accumulating a stake through the purchase of numerous small parcels. The total administration reduce the overall return on the investment.

The rising interest of unions in controlling pension funds (NBR June 13) may, in time, be another influence on equity investment, shifting further control to the hands of "In-

## Institutions dominate market

by Peter V O'Brien

THE private investor is becoming less of a force in the affairs of companies. The trend is worldwide, with New Zealand sharing in the pattern.

A recent London Financial Times feature examines the development in Britain. The document is based on an analysis carried out by the large pharmaceutical company, Fisons.

The company surveyed movements in its share register (the fourth such survey) and found there has been a significant shift to institutional investment. In 1969 over 55 per cent of the shares were held privately, but this figure fell to 44 per cent in 1975, and dropped to 32 per cent by 1978. Institutions now account for 67.5 per cent of the shares, compared with 45 per cent in 1969.

The British experience has peculiar features, including taxation, costs of buying or selling shares, and dividend controls. But other countries, including New Zealand are seeing the same phenomenon.

In the United States, the growth of mutual funds, pensions, and other forms of institutional investment have given the American securities industry a lopsided structure. The activities of fund managers aggravate the operation of a stable market. Lack of stability affects the private investor who gets trampled in the rush for performance.

American funds, watching each other closely, and with access to detailed information which company directors would consider unthinkable in this country, move as a pack. When the numbers show it is time to sell the cult of "performance" make the bulk of managers sell at the same time.

The managers control the market. The brokers aid the managers because they prefer to deal in large parcels, rather than become involved in numerous small transactions, with comparatively high individual costs in relation to the dollar return.

The desire for security of investment is another factor in institutional dominance. Private investors feel "safer" if their funds are in large institutions. The spread of risk is better in a fund than in individual hands, although the chances of making a "killing" are also diminished (those chances are, of course, also diminished as a result of the institutional dominance which can act as a brake on rapid price changes).

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You want I think I think

It's bloody silly, we do it now.  
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# ECONOMIC INDICATORS

## EXTERNAL TRADE

As recorded in Reserve Bank record of Overseas Exchange Transactions.

	Period	Latest	Previous Year	% Change
Exports				
Meat	Apr 79	\$108.5m	\$78.0m	39.0
	Apr 79 yr	\$1121.3m	\$902.3m	24.0
Wool	Apr 79	\$83.0m	\$63.6m	31.0
	Apr 79 yr	\$720.9m	\$610.4m	18.0
Dairy Products	Apr 79	\$49.5m	\$51.3m	-4.0
	Apr 79 yr	\$58.2m	\$612.3m	-5.0
Forest	Apr 79	\$27.5m	\$20.7m	33.0
	Apr 79 yr	\$295.7m	\$265.5m	5.0
Manufactured	Apr 79	\$48.6m	\$35.4m	37.0
	Apr 79 yr	\$626.5m	\$508.5m	23.0
Total Exports	Apr 79	\$374.5m	\$287.1m	30.0
	Apr 79 yr	\$3937.3m	\$3393.0m	16.0
Imports	Apr 79	\$18.6m	\$12.6m	48.0
	Apr 79 yr	\$194.8m	\$172.4m	13.0
Private	Apr 79	\$271.0m	\$215.8m	26.0
	Apr 79 yr	\$3056.2m	\$2888.2m	5.0
Total Imports	Apr 79	\$289.6m	\$228.4m	27.0
	Apr 79 yr	\$3251.0m	\$3070.6m	6.0
Balance on Trade Transactions	Apr 79	+ \$84.7m	+ \$58.8m	44.0
	Apr 79 yr	+ \$695.2m	+ \$322.5m	113.0
Balance on Invisibles	Apr 79	-\$78.7m	-\$77.4m	2.0
	Apr 79 yr	-\$1087.8m	-\$857.7m	27.0
Official Overseas Reserves	Apr 79	+\$42.2m	+\$29.6m	43.0
	Apr 79 yr	+\$167.1m	+\$267.4m	-38.0

## FREIGHT MOVEMENTS

Shipping Cargo carried	Feb 79	2573	2728	-6.0
- 000 tonnes	Feb 79 yr	32781	35818	-8.0
Rail Freight Carried	Feb 24, 1979	950	985	-4.0
- 000 tonnes	Feb 79 yr	11,666	12,770	-9.0

## FINANCIAL

Reserve Bank Advances	Feb 28 79	\$729.6m	\$5818.7m	-11.00
Trading Bank Advances	Apr 79	\$2827.7m	\$2618.8m	26.00
N.Z. Overseas Transactions				
balance on all transactions	Mar 79	+\$377m	+\$351.3m	
Restricted Survey of Hire Purchase	Dec 78 qtr	\$140.2m	\$124.4m	12.5
— value of goods sold	Dec 78 yr	\$530.7m	\$449.0m	18.2
Mortgage Interest Rates — average	Jan 79	10.79	10.50	3.0
Govt short-term securities — average yield	Mar 79	10.5	8.85	19.0
Govt long-term securities — average yield	Mar 79	10.02	10.00	0.0
Land transfers (value of land sold)	Jan 79	\$192.9m	\$102.5	88.0
Mortgages registered (value)	Jan 79	\$3376.0m	\$2671.2m	26.0
Jan 79	\$140.7m	\$79.6m	77.0	
Jan 79	\$2104.6m	\$1842.0m	14.0	
May 78	\$87.5m	\$69.8m	25.4	
May 78 yr	\$998.8m	\$906.6m	10.2	
Bankruptcies (number)	Feb 79	36	62	-42.0
Sales tax collected (value)	Feb 79	\$40.3m	\$34.3m	16.0
Feb 79 yr	\$335.5m	\$365.9m	-8.0	
Totalisor turnover (value)	Mar 79	\$448m	\$38.0m	18.0
Mar 79 yr	\$470.1m	\$395.0m	19.0	

## LABOUR FORCE

Industrial stoppages (working days lost)	Mar 79	67207	88226	24.0
Normal weekly wage rates index	Mar 79 qtr	284860	452582	37.0
Effective weekly wage rates index	Mar 79 qtr	1147	1029	11.0
(Base 1977=1000)	Mar 79	1019	1009	1.0
Vacancies at month end	Mar 79	1644	1343	22.0
Unemployment at month end	Mar 79	23734	19844	20.0
People on special work scheme at month end	Mar 79	26108	11845	120.0
Migration	Mar 79	-17.64	-33.76	
Total New Zealand population	Mar 79	3144,600	3145,900	63.0
Births	Dec 78 qtr	50,940	54,179	-6.00
Deaths	Dec 78 qtr	24,668	25,961	-5.00

## PRODUCTION

Electricity generation	Mar 79	1760	1628	8.0
— million kWh	Mar 79 yr	21888	21554	2.0
Coal production	Feb 79	145.7	161.1	-10.0
— 000 tonnes	Feb 79 yr	2093.4	2206.3	-5.0
Gas production	Mar 79	4007.0	4851.3	-17.0
— million megajoules	Mar 79 yr	55762.6	61819.1	-10.0
Motor spirit — petroleum prod.	Feb 79	81147	150052	-46.0
— million litres	Feb 79 yr	167250	1810600	-8.0
Motor vehicles assembly (no. of vehicles)	Mar 79	6178	4437	36.0
Building work put in place (value)	Mar 79	53398	58416	-9.0
Television sets (units)	Sept 78 qtr	\$305.6m	\$3485m	12.3
Dec 78 yr	\$140.9m	\$1349.9m	-15.5	
Dec 78 qtr	25219	23208	8.7	
Dec 78 yr	69,986	110868	-24.4	
All plastic products	Dec 78	\$70.7m	\$60.6m	17.0
	Dec 78 yr	\$255.0m	\$252.3m	-1.0

## INTERNAL TRADE

Consumer price index (base 1977=1000)	Mar 79 qtr	1126	1020	10.00
Retail trade — total turnover	Feb 79	\$449.54m	\$388.3m	16.0
— Current prices	Feb 79	\$5768.1m	\$5141.9m	12.0
Total turnover	Feb 79	\$843.03m	\$785.93m	-7.0
— 1974 prices	Dec 78 qtr	\$3263.57m	\$3224.9m	1.0
Per head	Dec 78 qtr	\$533.85m	\$459.7m	16.0
— current prices	Dec 78 qtr	\$1798.6m	\$1625.7m	-1.0
Per head	Dec 78 qtr	\$269.17m	\$281.7m	-4.0
— 1974 prices	Dec 78 yr	\$1020.0m	\$1056.5m	-4.0
Wholesale trade total turnover	Dec 78 qtr	\$1621.6m	\$1381.7m	17.0
— current prices	Dec 78 qtr	\$5287.8m	\$5428.9m	-7.0
Stocks — Manufacturers	Dec 78 qtr	\$2079.2m	\$2068.5m	1.0
— Wholesalers	Dec 78 qtr	\$903.5m	\$964.4m	-4.0
Stocks — Retailers	Dec 78 qtr	\$920.9m	\$869.5m	8.0

# Economic News

## MIGRATION

Figures released by the Statistics Department on May 30, 1979, showed that migration loss figures for year ending March, 1979, were the highest ever recorded for a March year. The net loss to population of 29,908 is a 21 per cent increase over the 1978 figure. The following chart is an occupational breakdown of external migration figures.

### EXTERNAL MIGRATION: PERMANENT AND LONG-TERM ARRIVALS AND DEPARTURES BY OCCUPATION DIVISION

OCCUPATION DIVISION	MARCH YEAR			
	1978 Arrivals	1978 Departures	Net Gain/loss	1979 Arrivals
Professional Technical and Administrative Workers	6496	9700	-3204	7680
Managerial Workers	812	1168	-356	824
Clerical and Related Workers	3804	8620	-4816	3988
Sales Workers	1240	2648	-1408	2828
Service Workers	1756	3032	-1276	1936
Agricultural, Animal Husbandry and Forestry Workers	120	160	-40	1916
Fishermen and Hunters	880	1524	-644	932
Production and Related Workers	5768	13,852	-8084	6080
Workers, Transport Equipment Operators and Labourers	676	1316	-640	2420
Occupation not classifiable or unspecified	15,540	2		

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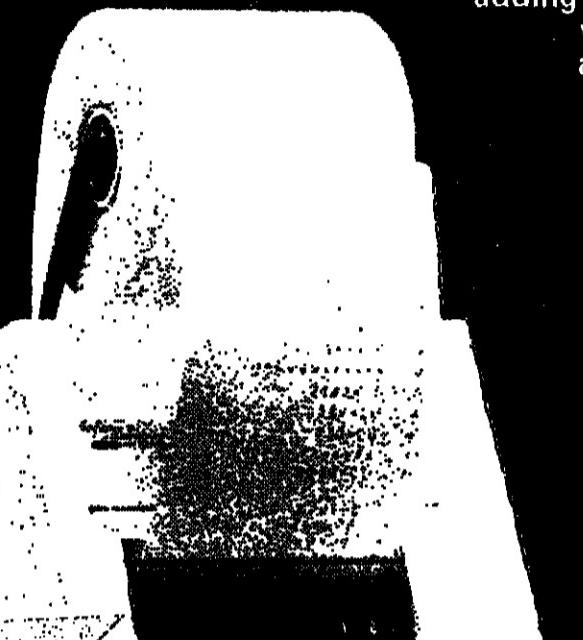
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## Welfare stretches beyond planners' payout view

by Alan Levett

I WISH my father were alive today to take part again in discussion on the main purposes of the welfare state in New Zealand.

He and his mates at a freezing works in the 1930s, many of whom had been unemployed, argued enthusiastically about social security, state housing and better educational chances for their kids. Most of them hadn't gone as far as standard six at school.

After Dad went to the war in 1940, we moved into a new statehouse, thrilled and proud to be there. The house had been well constructed, my father, home on leave, said: "These carpenters knew who they were building these houses for."

Dad understood two basic things about the welfare state that I do not find in the Planning Council's report, "The Welfare State?"

First, he knew that the welfare state was not a narrow range of payments and services, but a wide spectrum of actions designed to open up opportunity and strengthen the economy.

The particular actions undertaken by the state in the 1930s were aimed at those parts of society where opportunity was most blocked — health, housing and education, certainly but also farming, music and the arts, scientific research and trade.

The 1930s welfare state was aimed at the spirit of the nation.

The Planning Council, in its laudable focus on trimming Government spending, has boldly diagnosed blocked opportunity in the 1970s and now. And so it defines the welfare state too narrowly as the existing social services — health, education, law and order, and income maintenance.

But the Planning Council has not revealed the irony of state spending on health and education, which is that more and more spending has gone to the well-to-do.

Access to medical services changed as the doctors moved away from the countryside and the inner-city areas. They never moved into the poorer outlying suburbs.

At the same time, private medical insurance schemes were begun during the 1960s, leading to development of private medical hospitals. In Canada such changes have been shown to have a detrimental effect on the public health facilities, and the same thing is suspected of happening in New Zealand.

The second basic point my Dad understood about the welfare state was that while it increased security for all, it was aimed particularly at people who were the main constituents of society. The reasoning was that if their fear and insecurity was removed, their confidence would be strengthened and they would become dignified self-reliant human beings as

well as productive workers. The most vivid practical symbol of the early welfare state's objectives was in housing for the poor. The houses were not cheap and jerry-built, located in sprawling suburban deserts — the most glaring outward sign of the decay of the modern welfare state. They were well-built, as my father observed, and planned to fit into lively communities.

Amazingly, in a report supposed to be about social policy, the Planning Council's document contains no analysis of the people who have been losing out in recent years, and no comment on the malaise of the spirit in our community.

The poor and dispirited today — who get least from "free" health care; who pay the most, relatively, for food and housing; for whom "free" schooling was often a bitter pill of failure; whose lost, beaten kids on the street most often go to borstal or mental hospital; who will die before they can enjoy more than a year or two of superannuation; but whose tax has increased from about 8 per cent of their earnings in 1968 to 22 per cent in 1978 — those people will not see their plight sketched in the Planning Council's report.

Any re-thinking about the welfare state in New Zealand must take account of what has been happening socially. The Planning Council has shown that state spending has increased — in some of the social services. Housing which experienced a decline of state involvement, especially in the 1960s, is not mentioned.

The Planning Council, in its laudable focus on trimming Government spending, has boldly diagnosed blocked opportunity in the 1970s and now. And so it defines the welfare state too narrowly as the existing social services — health, education, law and order, and income maintenance.

Furthermore, the Planning Council's report does not say what effects improving and trimming these services will have on the economy. The report makes virtually no connection between expenditure on the social services and economic directions.

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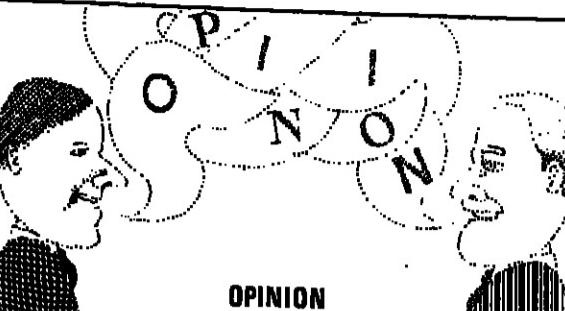
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OPINION

A Health Department study of mothers who had just given birth in the Wellington area in 1972, found substantial differences in the quality of care received. Mothers in the poorer areas received less medical attention, both before and after the birth of their children, than those in the more affluent suburbs.

Poor people furthest away from facilities were the worst off of all. Access to education has followed the same pattern. State spending has gone increasingly to the universities over the past 25 years, so much so, that proportionally less has gone to primary education.

The survey of the aged undertaken by the departments of Social Welfare and Statistics in 1974, demonstrated that Government provision for the sick elderly had become insufficient. Those who had no resources other than the benefits provided by the state, were the worst off.

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This is not due to there being fewer manual workers in the population. In fact, since the mid-1950s, the proportion of unskilled manual worker jobs has increased.

The solution has become part of the problem.

The Planning Council may be correct in suggesting that the renewed welfare state be marked by lower costs. Whatever is spent, if it is not on the right targets, it will not have beneficial effects.

The most important target for the 1980s, as nearly half a century ago, is surely the spirit of the nation.

The most dispirited in the society will need more attention than the Planning Council gives them; re-allocation will be as important as reduction of spending overall.

But further than that, revitalisation of spirit in the social areas will require consideration beyond health, education, law and order, and income maintenance.

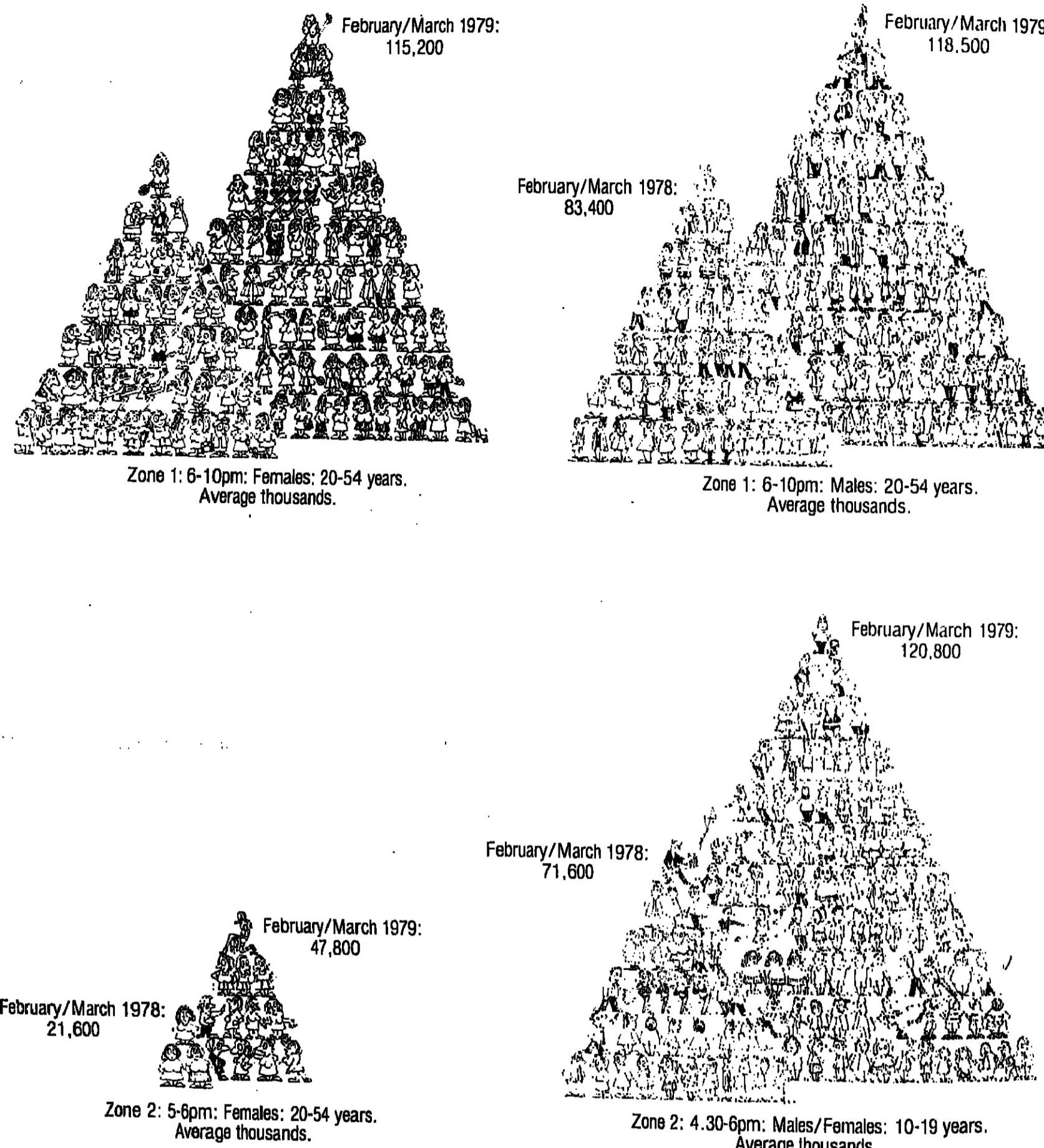
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### Knock back the knockers

BRIGHTLY or wrongly, New Zealand media have always outlawed knocking copy — advertisements which disparage or denigrate a competitive product or service. Though it's easy to lay down the law, it's not always simple to interpret it, as two different arms of BCNZ have found. As a result, a 30 second TV commercial for Radio Windy has assumed the proportions of a full scale dramatic scenario.

The story so far. Lindsay Ye, 22B's morning star, takes off holiday to the wild blue yonder. Radio Windy, climbing in the ratings and seeing a situation to its advantage, decided to promote its breakfast session on TV2 no less. Rob McKay, general manager, writes a script and instructs TV2 to produce it which it does.

Windys asks its agency to buy time. No availability. Trys TV1 — greater cost but the opportunity beckons. A total of 11 spots is reserved. On the morning of the day the first spot is due to be broadcast, McKay hears by a circuitous route that the commercial is not acceptable to TV1. It is in breach of Rule 1.7, which says: "An advertisement should not attack or discredit other products, advertisers or advertisements directly or by implication." No broadcasts, then or later. TV2's production is unacceptable to TV1.

The commercial was described this way to Admark. The opening scene shows a girl just waking up who says: "For seven years I've been waking up with the same person, but this morning he's not there. Who can I turn to?" There is a shot of a radio dial which does not show any specific frequency and a male voice over says, "Past! Windy's changed — why don't you?" The female voice says "OK" as the video shows Dave Mahoney at the panel and the voice says, "I've discovered Radio Windy and Dave Mahoney — why don't you make the discovery tomorrow

morning? Don't wait another seven years." Then the Windy logo.

Rob McKay refutes the ruling that the commercial is disparaging and describes the action as "bureaucratic suppression". The station is seeking "further independent clarification".

Radio Windy has also officially complained to the Audience Research Advertising Council about the BCNZ sampling area. By including areas outside the urban Wellington, the top of the South Island for example, which are not in the McNair survey, it gives an advantage to stations 22B and 2YA with their greater signal strength though covering towns and shoppers of no interest to the Wellington retailer, Windy claims.

### Milk goes commercial

PRESUMABLY, "Milk it instead" makes crystal-clear sense to someone, hopefully the target audience. Advertising often makes impudent use of the English language with good effect. The original version of "Fresh up with Seven Up" provided a lively neologism by verbalising an adjective.

But "Milk it instead" has an existing built-in meaning that has to be disposed of first before you get to what we think is the intended interpretation.

The television commercials present an audio-visual scurry difficult to define. The one which shows a dribbled chin and an animal drinking from a cocktail glass is obviously not destined to win the acrobatics' academy award this year.

We wondered why such a jumble of concepts was introduced in the fairly rudimentary idea of selling milk as a beverage. Then we think we stumbled across a possible explanation. It could well have been inspired by the unshackled zeal of Milk Board chairman, E E Ogier, who wrote an article for the board's journal, Town Milk, from which we quote:

"There is a need to get milk



solution-wise, could provide a rewarding situation response to the dilemma of the beer, coffee, tea, soft-drink, milk interface in the marketplace.

British Airways former ad agents went on to plug their former clients further: "In the 22 years we handled the British Airways account their business went up and up. Until it climbed higher than the major competition with their bigger ad budgets.

From September 1, British Airways will put its advertising through Foote Cone and Belding.

In New Zealand, Ilots will continue to handle the account with total billings estimated at something like \$200,000 a year.

### Golden oldies hold cash

IN THE radio ratings war, no commercial station is anxious to flaunt the listening allegiance of our senior citizens, or the "geriatrics" as one station confusedly called them.

But all of them are happy if they can claim dominance in the "primary consumer" market, or the 10-44 age groups. But doesn't this include the young families who, supposedly, are under the greatest stress to make ends meet? And to buy their first homes?

In the meantime those decadent, infirm old people aren't doing so badly. (See Golden Oldies, Admark, April 11.)

Of the 370,000 people over 60, no fewer than 52,000, or one in seven, managed a trip overseas last financial year. Now if we were travel agents looking for prospects among radio listeners, we'd be reading the 55 plus ratings pretty closely.

The United Kingdom rose from 28 per cent to well over 35 per cent."

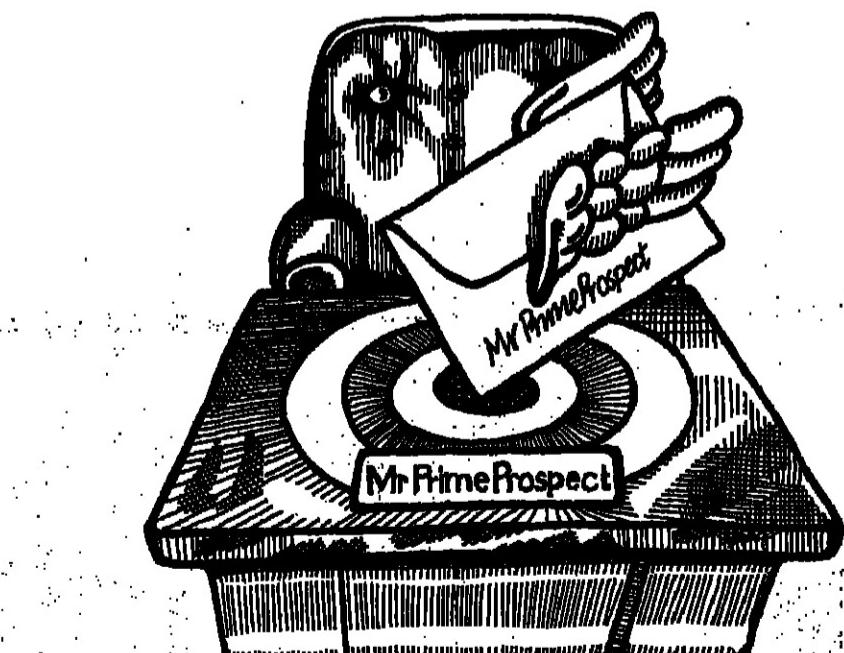
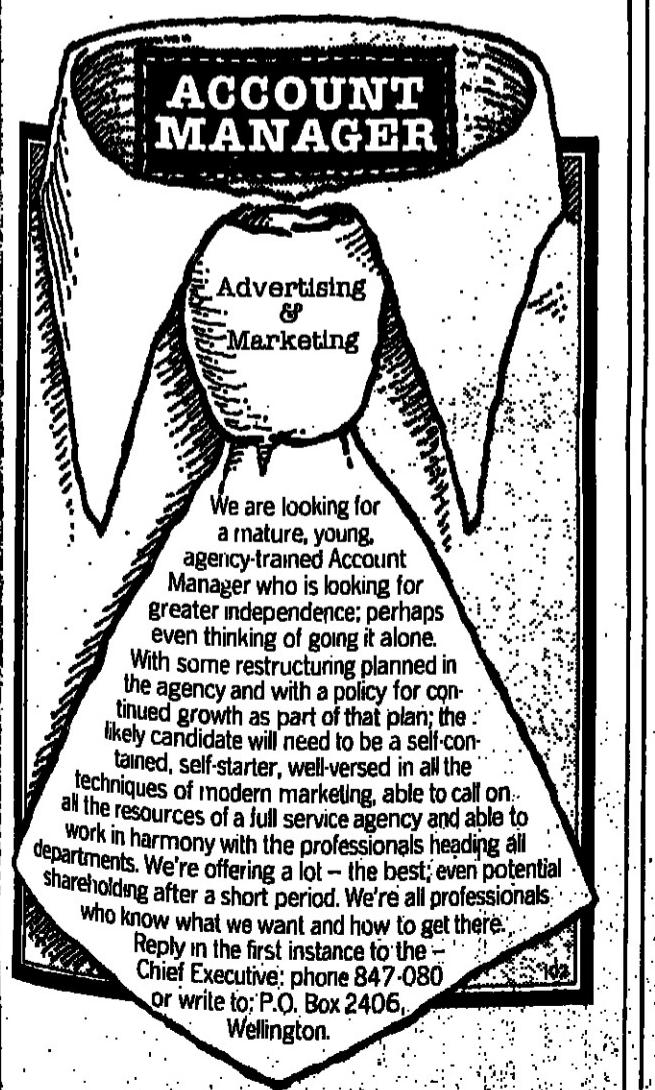
Then came the message from Tinker Campbell-Ewald: "So, while we'd like to wish British Airways the best of luck, we're ready to start working with another airline that wants to move up in the world."

And who said the Americans could never master the British art of subtlety without losing

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RP 1

## Waring wants Cabinet posts for outside experts

CABINET has been subjected to rather less objective or constructive criticism than the other institutional arenas in the political process for one particular reason — few commentators can gain accurate information as to the reality rather than the ideal of how Cabinet functions. The preserve of collective decision-making seems to be taken by former Cabinet members with them to their graves, so that little information emerges even from those now removed from the Executive.

The basic premise and pragmatic dogma of the Cabinet is that of collective responsibility. This has come to operate as a condition of Cabinet membership, the theory being that all major policy issues should be discussed freely without fear or favour and that members of Cabinet should thus accept the mood of the majority and keep quiet or resign.

It is further argued that Cabinet members must be united in a clear line of policy because they "represent the majority". But the flaw in that argument is more than adequately demonstrated in any comparison of voter percentage cast with seats in the House.

Austin Mitchell saw Cabinet as the embodiment of the party in power...its real role being that of directing the centre of Government.

The general functions of Cabinet as seen by Professor Keith Jackson are: the final determination of policy to be submitted to Parliament; the supreme control of the national executive in accordance with policy endorsed by Parliament; and the co-ordination of the activities of departments of State.

Cabinet's performance is very much determined by the attitude of the Prime Minister. His concern to remain in office, both personally and politically, will condition his judgment in the selection of his Cabinet (in a National Government) and/or the allocation of portfolios (in a Labour Government). In the British-based Cabinet system followed by New Zealand, Prime Ministers are influenced by staying in power.

Cabinet must by convention

face criticism for its joint conduct of the business of the State, and it is not unfair to say that it is the record of Cabinet which is the record of Ministers' time, but although the New Zealand Parliament has been designed as a working rather than a debating chamber, it is not an easy environment for concentration. A change in the standing orders the quorum would have a healthy effect on this problem.

Thus Cabinet operates continually in the apprehension of political consequences of debate in the House or of publicity outside — a powerful unit executive on the hand and a band of politicians eager to retain the good opinion of the community on the other.

The last major restructuring of Cabinet occurred under the first National Government in 1972. Guided by the then Secretary to the Cabinet, Foss Shanahan, the present Cabinet paper system emerged.

Present Secretary to the Cabinet, Patrick Millen, when contacted to comment on past proposed changes to Cabinet structure, said that he was "blissfully unaware of any changes in Cabinet procedure in the last 30 years and blissfully unaware of any changes in the near future". Inquiry has revealed that recently the length of sittings tend to be between 6-7 hours, and that a strengthening in the number of permanent Cabinet

Committees from nine in 1968 to 15 in 1979 has seen more preparatory work completed outside the orbit of the full Cabinet.

In the last 15 years, the chief criticisms made of Cabinet have been strikingly similar, regardless of the commentator. The Executive's control of secrecy controls collective responsibility.

The political executive has devised a confidential and interdependent decision-making system in order that it may survive contests in an arena devoted to exposure and the public debate. Information is powerful, and Cabinet has succeeded in concentrating power. There is, however, room for doubt that power is employed in the most effective manner.

There has been frequent criticism over the years of the public demand for members of the Executive to turn their backs to the populist bridge-opening, cocktail circuit round of engagements.

Coupled with this have been the requirements that ministers spend more time with Departments, with some regard being had for the British system where Ministers have offices in the head offices of the portfolio responsibilities. Despite the good intentions of such a suggestion, the confinement of my forward view to the 1980's makes the suggestion of any change in this area impracticable for a number of reasons.

The first relates to the current dispersal of departmental head offices throughout Wellington and the movement of various divisions of departments to other parts of New Zealand.

The second reason relates to the multiple portfolio allocations made to each individual member of Cabinet and the difficulty imposed by deciding where the ministerial office might then be placed.

Criticisms are also made of the time ministers must spend in Parliament. The demand for the Government to retain a quorum of 20 in the House has some effect on Ministers' time, but although the New Zealand Parliament has been designed as a working rather than a debating chamber, it is not an easy environment for concentration. A change in the standing orders the quorum would have a healthy effect on this problem.

They may be in a strong position only when technical experts disagree, thus ensuring they have all the information. It further makes a mockery of the question of ministerial responsibility, in the sense of a minister being held accountable for all the actions undertaken by personnel within departments for which he is responsible.

While there are occasions when all ministers should be at their places in the House, there are others when Parliament can carry on its business admirably with many of them absent. This is in fact the practice in other Parliaments where it is appreciated that ministerial duties are such that it is unreasonable to expect ministers to spend their whole time in the House.

The situation is even more troubling during periods of ministerial ill-health or overseas travel. It means for example, that the second Cabinet meeting in May 1979, which dealt with the major appeals from departments on their budgetary allocations for 1979, was attended by only 12 ministers and one of them, Derek Quigley, was then acting in eight portfolios in addition to his own five portfolio responsibilities.

When one peruses Derek Quigley's weekly timetable and contemplates a total portfolio responsibility of 18, there is certainly time for some change. It demonstrates only too well the disproportionately heavy burden that can be placed upon a strictly limited number of able ministers.

WE REPRINT here sections of an address given by Marilyn Waring, Government MP for Waitaki, to a seminar on democracy in Auckland earlier this month. Waring was asked to speak on possible changes to our political institutions over the next 10 years.

Our selection covers her thoughts on the Cabinet.

of able ministers. Waring said she agreed with Canterbury University political scientist Nigel Roberts who had written that the quality of Cabinet ministers in New Zealand was poor and that bringing non-MPs into the Cabinet would benefit both the Cabinet and Parliament.)

Such Ministers would be entitled to attend Parliament and to address the House during debates as often as they desired, provided they abided by standing orders. I would envisage that in practice, no more than half a dozen ministers would be drawn from outside Parliament, this

being probably the maximum number required to ensure an absence of tail-enders in Cabinet. I do not accept the common argument that such a move would provide for remoteness. I similarly do not accept that such appointments would be any less answerable to the public. The public must accept power and the self-preservation nature of it. Regardless of who is in Cabinet, power resides there in spite of the idealism of power residing in the electorate. No Cabinet regardless of method of selection or appointment will surrender

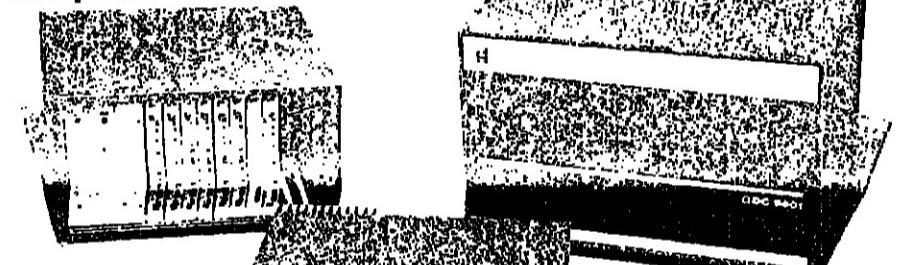
the exercise of final decision-making responsibilities.

Appointments would carry with them the understanding of the right of the Prime Minister to "hire and fire". Similarly, an awareness that ministers' actions might be severely criticised, even by the Government members in Parliament, could only be healthy for both institutions. The technical, economic, administrative skills, so desperately needed, might be found. A truly representative contribution from other than white, middle-aged, middle-class males could form part of government, even if only through tokenism.

# GDC

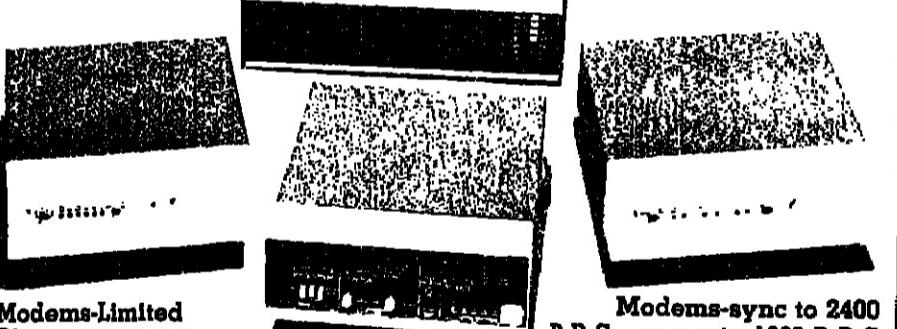
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## Cuts to doctor intake cure only balance sheets

by Belinda Gillespie

HEALTH Minister George Gair must have welcomed the Committee on Medical Manpower report that doctors are going to be thick on the ground from now on.

Ever since his new Cabinet appointment, Gair has been applying himself to the tricky task of cutting back on health spending without harming anyone's health.

When health priorities are measured in cost-effective terms, it has been said, "the weak and the minorities go to the wall just as surely in a bureaucracy as in a large-scale business. The utilitarian arguments which define priorities in terms of the greater good of the many imply a hopeless message for the few".

"Cost effectively, people prone to sickness who live a

long time and earn little have a negative value in society. Logically, the only solution is the ultimate one: eliminate them as soon as possible."

Without going that far, the reported over-supply of doctors, and the recommendation that the intake of medical students be cut by 25 per cent has given Gair the opportunity to make considerable savings.

The projected output of medical students from Otago and Auckland medical schools next year is 248.

Each doctor costs \$60,000 to train, which means saving an extra \$3.7 million over the training period for a kick-off.

On average, the clinical decisions of each GP amount to about \$100,000, and each specialist about \$200,000 a year.

The 6.7 per cent of GDP that New Zealand spends on health is not as much as the United

States and Sweden — 7.4 per cent — but Gair said the Government has no wish to fly any higher.

As incomes rose in the 1960s, public and professionals alike clamoured for more doctors, in the belief that the greater the investment in medicine, the more disease would be conquered and health problems solved.

Apart from the basic medical training, specialist training and continuing education make doctors expensive.

Each new doctor means more services, more drugs, more equipment, more buildings, and more supporting staff.

The committee's studies show that if things go on as they are, the ratio of doctors to population will double over the end of the century, from one to 719 now to one to 387.

The 6.7 per cent of GDP that New Zealand spends on health is not as much as the United

keepers in the health system". In a publicly funded health system, it points out, keeping the input of doctors to the system is one of the few ways of controlling health expenditure, which relates directly to doctor numbers.

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Need for doctors can't be known in isolation from other workers and developments within the health service. The committee has called for national strategies and objectives in the health field, so that medical manpower can be planned within a broader framework.

People in isolated areas with no doctor, or those on a waiting list for the attentions of a specialist are not impressed by the statistics which point to a surplus of medics. Doctors, like the rest of the

well-heeled middle-class, want to live in congenial suburbs and work nearby. They have a distaste for certain specialties — anaesthetics, pathology, geriatrics — which leave these areas permanently short.

"Increasing the supply will not solve the distribution problems," says the Medical Manpower report.

"All that would happen locally would be overcrowding of doctors in popular geographical locations and a

measure, as a revenue-gathering measure, the sales tax on spinning wheels appears somewhat suspect.

The Department of Statistics doesn't have production and export figures for spinning wheels.

But a rough estimate puts total production at about 18,000

wheels a year. At a bare minimum, 12,000 of these would be exported, leaving only 5,400 wheels sold locally subject to the sales tax.

About half the wheels sold locally would come from home hobbyists, who would not pay the tax.

So the total tax revenue to

Government would probably be little more than \$10,000.

Deduct the cost of collecting this \$10,000 in tax, and there wouldn't be enough money left over to pay the due to half the people put out of work by the tax — much less compensate for the loss in export earnings and company tax on the firms forced to close down.

would make handicraft a rich man's hobby, taking it from the grass roots.

"Four to five years ago there were only five manufacturers producing spinning wheels. Now there are about 30 — half

of whom are only home hobbyists. The hobbyists are so small they do not pay the sales tax, and can undermine the viable firms," he said.

Ashford Handicraft, of Ashburton, is the world's biggest producer of spinning wheels, employs 40 people and have been in the business for 40 years.

Ashford's export manager, Richard Ashford estimated his wheels were 90 per cent New Zealand content.

Ashford won high priority status from the Department of Trade and Industry as well as an export award. Last year it

manufactured about 12,000

wheels and exported 10,000 of them.

Ashford is located in a regional development zone.

Despite his company's impressive export performance, Ashford said the firm couldn't afford to lose the home market.

Ashford's will try to get Government to admit it acted hastily and reconsider — perhaps to reclassify spinning wheels out of the sales tax bracket, he said.

Otherwise the company might have to cut back on production, he said.

## Sales tax takes spin out of spinning wheels

by Warren Berryman

The manufacture of spinning wheels — a small but exemplary export industry — has become another sales tax victim.

Most New Zealand spinning wheels are exported, earning between \$1.3 and \$1.5 million a year in foreign exchange. But manufacturers say they depend on the domestic market to carry them through the ups and downs of exporting.

And the domestic market is price sensitive, they claim. The 10 per cent sales tax threatens to force some spinning wheel and hand-looms manufacturers out of business.

Locally made spinning wheels are between 95 and 99 per cent New Zealand content.

New Zealand has the world's biggest manufacturer of spinning wheels, Ashford Handicraft, of Ashburton. This firm makes about 75 per cent of all the spinning wheels produced here, and exports 80 per cent of its total production, earning just under \$1 million a year for New Zealand in export sales.

The spinning wheel industry generally exports more than 70 per cent of total production.

There are only about 100 people employed in the industry but their export performance shows New Zealand has a good comparative advantage in world markets.

Poore has been making spinning wheels for 14 years. He started as a cottage industry and now employs eight people.

The spinning wheels have a worldwide reputation for price and quality.

This quality reputation, combined with a flow of knowledge from a large body of home handicraft enthusiasts

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## Paper mountain buries Lotto plan

by Rae Mazengarb

THE wheels of the bureaucracy take a long time to get into motion.

Remember the "Lotto" game? — The controversial lottery introduced to some Australian states last year.

The initial enthusiasm of introducing the game here seems to have waned. Or perhaps the racing lobbies, or other groups which oppose it, have persuaded Government to drop the idea.

An Internal Affairs Department officer last week suggested the project had died a slow death:

"No... it's dormant, a little different from dead."

Dead, dormant... whatever its condition Lotto is buried beneath heaps of paper.

In September last year,

Internal Affairs Undersecretary Ken Comber looked at the report in detail.

Now a further caucus committee has been set up to examine the matter.

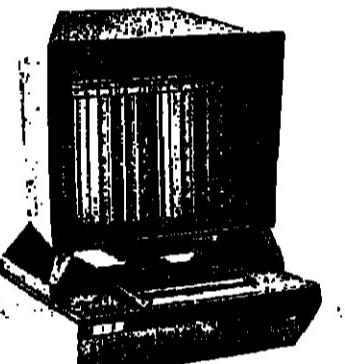
Chaired by Comber, the committee will study the same report prepared months ago into the procedures, processes, organisation and management of the game.

It is understood the committee has not yet received its terms of reference. Perhaps that explains some of the delay.

It seems that for some time papers have been quoting officials with these words: "we are far short of a decision".

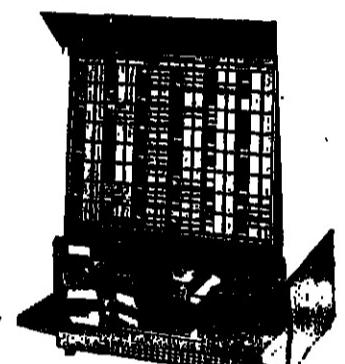
And until the committee meets, that's where things stand.

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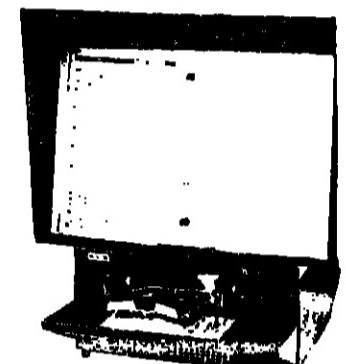
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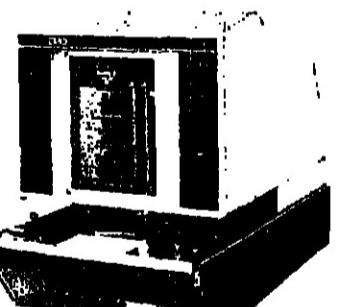
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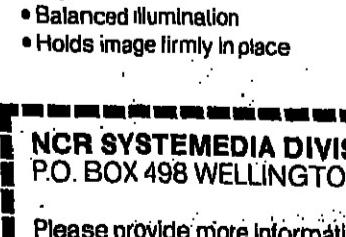
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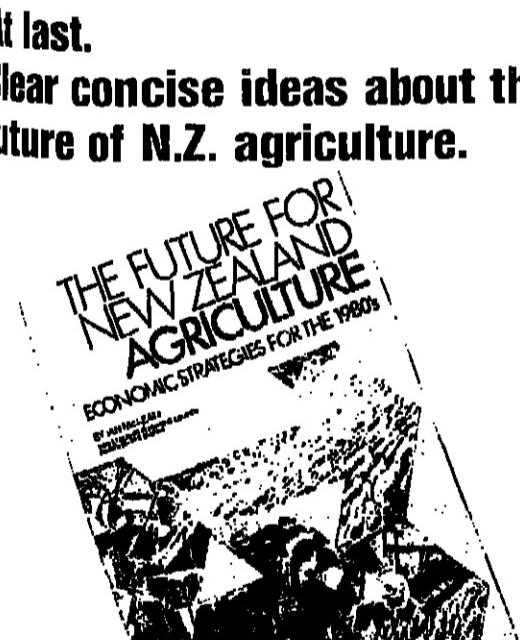
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...one of the most important research papers ever released on New Zealand agriculture," that's how Harry Broad, editor of Straight Furrow describes *The Future for New Zealand Agriculture*.

While doctors continue to insist on their position as "leaders of the health team" and resist any suggestion that appears to undermine this position or threaten the "fee for service" system of payment, it is difficult to see how calls for long-range health strategies can be answered.

*The Future for New Zealand Agriculture*, published by Fourth Estate Books on behalf of the N.Z. Planning Council.

Only \$4.50 at all good bookshops, or direct from Fourth Estate Books, P.O. Box 9344, Wellington. (See Fourth Estate Subscription Service coupon elsewhere in this issue.)

## Employers: 30 JUNE 1979

is the last day for payment of Accident Compensation Levy on earnings of employees.

Levy statement forms and booklets of levy rates have been issued to employers.

• A levy worksheet (ACC 509) is available to assist you extract the necessary information for the calculation of levy from your PAYE records.

• You may pay the levy at any Inland Revenue Office or Post Office Savings Bank.

• The booklet "Levies on Employers" relating to the new rates that apply from 1 April 1979 is to be used.

• If you have not received your levy form or your booklet of the new levy rates and you are not sure what to pay, ask at your local Inland Revenue Office.

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## Packet-switch comes closer

PROPOSALS by the State Services Commission to implement a packet-switched data communications network of its own, may have brought Post Office implementation of packet-switched services a little closer.

The SSC intends to implement a countrywide packet-switched network to carry meteorological and other data for civil aircraft flights.

Equipment for this set-up, known as the Aviation Fixed Telecommunications Network, has already been selected. The network will include a link to the SSC's IBM 370 machine at the Cumberland computer centre.

It was evident from the beginning of the project that AFTN would have the capacity to handle other terminals accessing Cumberland and if such networks were needed. It became clear that the potential was there for a large packet-switched network taking in not only Cumberland,

but also other Government computer centres.

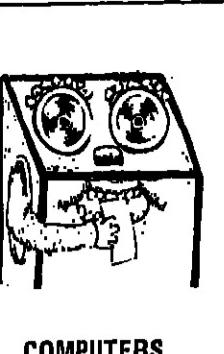
The Post Office has plans to introduce a packet-switched service to New Zealand at some indeterminate date, and clearly it would be to the PO's advantage if future SSC requirements could be accommodated on Post Office links, rather than on AFTN.

Requirement for improved Government networking facilities was likely to arise within the next two or three years, SSC spokesman Dick Wheeler acknowledged.

If the PO had a packet-switched network in place by that time, this would be used, but the option still remained to use the spare AFTN capacity if the PO did not deliver the goods.

Wheeler said PO plans for packet switching "were further in the future before we took an interest than they are now"; but no confirmation of an advance in packet switching deadlines could be obtained from the Post Office as NBR went to press.

The capability was there on the presently proposed set-up to accommodate the larger network, said SSC senior consultant Brian Quill, but this did not mean that the



COMPUTERS

Government had over-committed itself in equipment should this network not be required.

Obtaining powerful enough equipment to run AFTN meant that there was bound to be a certain amount of unused capacity.

The currently planned set-up will be based on six Control Data Cyber 18-30s. Two will be installed in Auckland, two in Wellington and two in Christchurch, with a seventh kept in reserve for development and maintenance.

About 100 terminals, all over the country, will communicate through the network. These terminals will be either

asynchronous models or synchronous IBM 3270 type, but the communications protocol on the main trunk lines will be a modified version of the international standard X-25 protocol.

This design will not tie down other terminals to operating in 3270 mode. Should a larger network be required, the equipment has sufficient flexibility to accommodate other terminal protocols.

## Performance evaluation

SOME words of United States wisdom on evaluating the performance of computers were given recently by Dr Gary Carlson, of Brigham Young University, Utah, on a New Zealand whirlwind tour.

Originally, Carlson was requested to come to New Zealand to give a three-day course on performance evaluation at Waikato University. The State Services Commission grasped the chance for him to give instruction to its own personnel, and he was asked to give a brief address to all five

branches of the Computer Society.

New Zealanders have built up something of a reputation for getting the best out of computing equipment, largely because of the heavy sales tax loading, but Carlson, from an admittedly brief examination of the New Zealand scene, tended to distrust this image.

Practical performance monitoring, he suggested, was probably as rare here as it was in the world at large.

Every company paying \$20,000 rental per month or more for computer equipment should be monitoring the performance of its system, Carlson said.

"In practice, even in the United States, with its long experience of computing, as little as a third of such sites did any serious monitoring".

He said the prime incentive to monitoring was the feeling that it was an expensive and complicated business. Though a good deal of monitoring equipment was sophisticated, it was not necessary to start at this end of the scale - "the sweep second-hand on a \$2 watch is accurate enough to measure printer speed".

Rather than expensive equipment, what is chiefly needed is the right attitude, a commitment to monitoring and improving system performance, reflected in a commitment of manpower to the monitoring task.

One should aim at a thorough understanding of what the hardware is doing, and not simply accept inferior performance as indicating a need for more hardware.

Often, when the additional hardware was installed, the performance improvement turned out to be nil, or less than expected.

When planning for a new piece of equipment, Carlson emphasised, "you should know what performance improvement to expect, and write it down". One's memory, he added, tended to make compromises when it came to comparing actuality with expectations.

Once the user had established himself as a conscientious monitor of performance, it bred an attitude of respect from the hardware vendor.

Practice of hardware monitoring may not be as widespread in New Zealand as Carlson would have liked, but the interest is clearly there.

The main seminar was planned for 60 people and about 100 turned up.

## State boosts its ICL kit

THE Government's major ICL computer installation at Trentham is due to receive a massive upgrade. This will tend to, at least temporarily, the biggest example of ICL's 2000 series in the world.

Major feature of the \$1 million enhancement will be the addition of a second processor. Initially, the two will run essentially separately, but later this year, they will be integrated into a "dual" configuration, where tasks can freely be taken on by one processor or the other, depending on the total workload.

The upgrade will proceed urgently, owing to the growing amount of work on the system, and the imminent take-on of new and significant applications. The hardware will begin to arrive later this month, and by July, the two processors are expected to be running in the separate, or "twin" mode. Full dual operation is planned to begin around November.

That advice comes from Ross Southcombe, director of the Export Institute. Southcombe has been in the United States looking at American methods of structuring and organising their marketing. He also checked out the sources of market information available to New Zealand exporters.

"When it comes to market information, the United States is the place to get it," Southcombe said.

Information sources included newsletters, bank-operated advisory services, research organisations and databases holding computerised information that could be tapped into for a modest fee from New Zealand via satellite.

The information process is aided by the American freedom-of-information law, which gives open access to Government data.

And good market information need not be expensive in the United States.

There is no point in us reinventing the wheel. The information is there and easily available," Southcombe said.

Besides the second processor, the Trentham machine also gets a memory upgrade, and more disc and magnetic tape devices.

Approval of the Trentham upgrade naturally leads to speculation on the fate of other hard-pressed Government installations, such as the Ministry of Works' IBM 360/188. Enhancements for these could be in the pipeline.

# Govt-laid tracks limit NZR financial freedom

by Colin James

NEW Zealand Railways' financial objectives cannot be set precisely because of Government limitations on its freedom of manoeuvre.

That is the essence of a report by Railways to the

parliamentary Public Expenditure Committee, tabled in Parliament the other day.

The Public Expenditure Committee in 1977 recommended an analysis of the Railways' financial procedures to bring them into line with modern financial

planning and control techniques.

This had been done, the Railways told the committee, by departmental officials and an outside chartered accountant.

The Railways noted that



GOVERNMENT ADMINISTRATION

some of its services were provided for social reasons and would not be provided if the Railways were operating in a fully commercial manner.

In addition, many services had a mixture of social and commercial aims, "which are generally difficult to disentangle satisfactorily".

The investigating team therefore had to settle for a loose description of the Railways' financial objective:

"Railways' financial objective is therefore to provide the range and level of services required by the Government at least overall financial loss and at the level of rates and fares approved by the Government," the Railways told the Public Expenditure Committee.

"It does not seem possible to express a financial objective more precisely than this without it becoming unrealistic and therefore only academic."

The Railways went on to reject the value of any separation of passenger and freight profits and losses.

"Where the financial planning and control procedures of the department

are required to use the Treasury's computer facilities."

In general, the Railways told the Public Expenditure Committee, the committee's criticisms of the Railways' financial procedures "stem from a failure to understand that the department is expected to pursue a mixture of social and commercial objectives, from a failure to apportion costs and to recognise that, as a trading organisation, the department has been seriously handicapped in its ability to plan and develop our own electronic data processing capacity".

"Where the financial planning and control procedures of the department

## U.S. export market success demands greater pre-development research

by Warren Berryman

NEW Zealand exporters with an eye to the huge American market would do well to drop their traditional producer-oriented thinking and adopt an American market-oriented approach. Though a good deal of monitoring equipment was sophisticated, it was not necessary to start at this end of the scale - "the sweep second-hand on a \$2 watch is accurate enough to measure printer speed".

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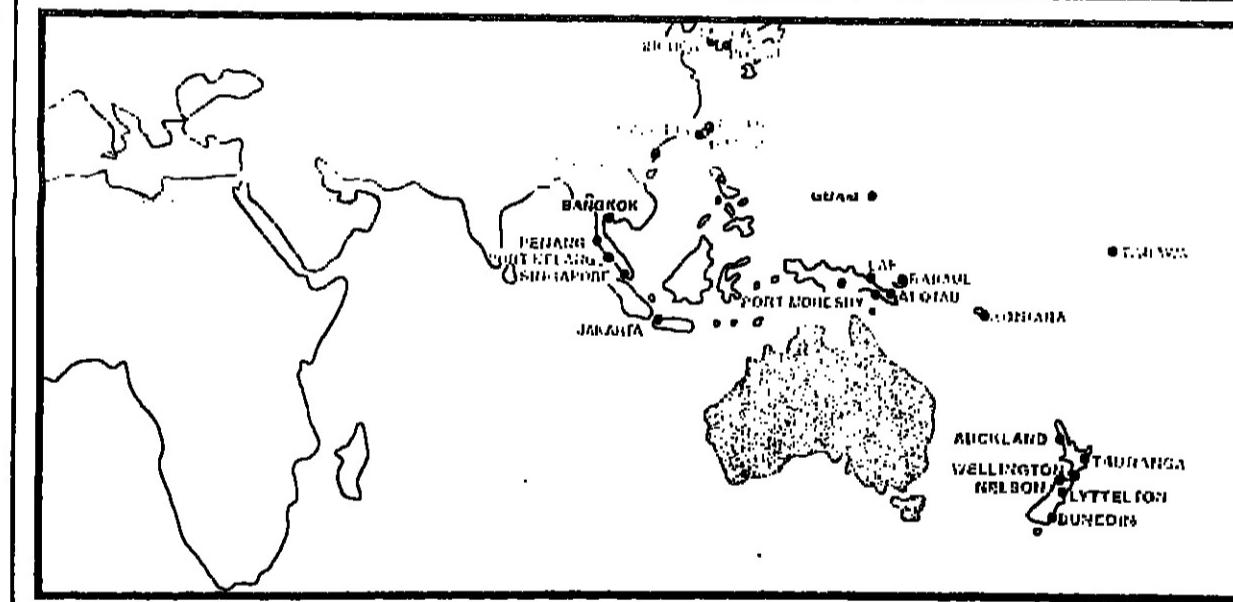
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#4-476

by Rae Mazengarb

PETER Clyne, the renegade tax advisor, boasts of past exploits in the non-payment of his own and his clients' taxes.

"I'm quite an unrepentant sinner," he admits. "I have a total lack of scruple. I believe that anything goes, as long as it enables you to retain your property."

The colourful Clyne is not likely to return to New Zealand — at least, not in the short-term. He's a prohibited immigrant.

But he was here, briefly, in May 1976.

"My business in New Zealand involved the takeover by one of my clients of the Commodore hotel chain in Christchurch, Queenstown and Blenheim."

"These hotels, it turned out, were headlined stuff. Three or four groups were after them, and one of my client's competitors lost no time in finding out all my history, right from the time I put ticks in my nanny's rocking chair, to my most recent encounters with Uncle Sam's vigilantes," Clyne recalls.

"Within 24 hours, my face became front-page news. Reporters followed me wherever I went, Prime Minister Muldoon took time off to abuse me personally on the evening news, and his Minister of Immigration politely informed my lawyers if I wasn't voluntarily on next morning's 11 am flight from Christchurch to Sydney, I would be arrested and deported".

When he flew to the United States in 1975 to help clients

Clyne's life has been far from normal. Vienna-born, he emigrated to Australia as a child and graduated LLB from Sydney University in 1948.

He practised at the Bar until 1955, when he was struck off the roll for "professional misconduct". His fifth application for readmission is still pending.

Through the 1960s he practised as a landlords' advocate before fair rent tribunals, and owned some 180 dwellings at one stage.

He graduated LLM in 1969, but still without a practising licence, he turned to writing books.

While his creditors began bankruptcy proceedings in 1970, he wrote Adventures in Tax Avoidance.

He held a job as resident magistrate in Zambia for nine months until his previous history caught up with him. He was asked to leave.

He jetted to Zurich and followed four years of fine living in Switzerland and Austria as an international law consultant, tax planner and author.

More books followed, including How not to pay Your Debts, and A Handbook For Scoundrels?

During this time he told the Wall Street Journal that his major activity was laundering money on which no tax had been paid.

"So about 15 years ago, I kicked the tax-paying habit".

FEEL there's something morally wrong about having to pay taxes? Complain about your hard-earned profits being used to keep the non-profit-oriented bureaucracy functioning?

Meet Wellington businessman Henry Newrick, originator of New Zealand's first offshore conference to be held in Fiji next month.

He calls our tax system "legalised banditry".

It's rather like being robbed at the same spot week after week. So, when you've had enough, says Newrick, just take a different route.

That seems to be just what is happening.

Tax evasion and tax avoidance are both on the increase. And in their efforts to minimise what they lose to taxes, New Zealanders are flocking to tax consultants in greater numbers than ever.

Those in the business say it's booming, not only because the tax law is so complex that the

general class of taxpayer doesn't understand it, but because he resents paying the amount of tax he does.

Most businessmen can — and do — claim artificially-induced tax deductions. But there's little the average wage and salary earner can do. All the schemes in books seem to apply to other people; tax avoidance techniques seem

- Join a club — one that's expensive and exclusive, and which your best clients would like. Deduct the annual dues and dining expenses.

- Repair things thoroughly. Repairs are deductible — so don't stint. A new engine for your aging Daimler is a far better tax deal than a new car since you can't claim a full deduction on a new one costing more than \$7000.

- Entertain thoroughly. But always include a client or two and deduct the expenses.

salary increases to be in a non-cash form. But not too much else.

The self-employed can do much more by way of tax avoidance or straight evasion — but it's a lot more risky.

The conference will look at alternative tax systems, international tax planning and various practical methods of tax avoidance in New Zealand.

Topics planned for discussion include practical methods of winning a tax rebellion; tax planning for professionals; the morality of tax evasion; all about tax havens; how to turn black money into white money; how to pay one per cent income tax; tax avoidance for public companies; how to d-e-s-y paying taxes; how to kill a tax investigation; and an alternative system.

Billed as chief speaker is the infamous Peter Clyne, the high-profile artful dodger of taxes, who claims he hasn't paid the taxman a bean since around 1967.

But Newrick believes New Zealanders are not as well-versed in sophisticated tax-

only to be available to the very rich.

There are some basic steps that many can take to minimise tax — for instance, form a family trust, or put any income-producing investments in your spouse's name; aim for

sidered in terms of possible tax savings. Of a mere 527 tax evaders caught in the 1978 tax year, only 61 were prosecuted.

But Newrick believes New Zealanders are not as well-versed in sophisticated tax-

saving techniques as they should be.

The offshore congress is aimed at educating those interested in the taxation area in more effective methods.

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Jones — author of Jones a

Property and New Zealand

The Way I Want It, and, last

year, he pointed out, they are

all legal.

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prohibited immigrant from

New Zealand that the con-

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Clyne will discuss the ways

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# Fare scramble forces Fiji airline to mark time

by David Robie

**WHILE** Air New Zealand executives are troubled by the cut-throat fare scramble in Oceania they should spare a thought for their colleagues in Air Pacific.

The era of cheaper flights from North America has forced the Fiji-based airline to mark time with many development plans for the region, just when trends had looked particularly favourable.

Air Pacific, a relatively small airline but with the most extensive network of routes across the South Pacific, made its biggest ever profit of \$725,000 last year. And the recent bilateral air agreement with New Zealand has opened the door to a fairer share on the sector carrying its heaviest flow of overseas traffic.

But the cut-throat fare jousting over the Pacific run to the western United States by the larger carriers has given the airline an unwelcome jolt.

"Eighteen months ago we were excited about the idea of

flying to the United States to boost our share of the tourist market," said Air Pacific general manager Captain Alan Bodger. "But now the aviation upheaval has changed things for us as a small airline. We haven't any interest in getting into a venture where we could lose our shirt."

"The new fares have certainly opened the skies as far as the Americans are concerned — but not for us," Captain Bodger said. Air Pacific had been looking at Honolulu and the mainland state as possibilities but the difficulties posed by the new fares had ruled them out for the moment.

He is sceptical of how far the larger airlines can go in the cut-rate arena and he said that rationalisation must come soon. So his airline is biding time until the "shake-down" is over.

What other possibilities are ahead of Air Pacific then with saturation point close in several existing markets?

New Zealand offers scope for tremendous growth following

the new bilateral agreement in spite of the drop in the numbers of New Zealanders visiting Fiji last year, an airline spokesperson said. There are also possibilities of developments on the Australian run, at present limited to Brisbane, and on two island routes.

A new deal was negotiated with difficulty — the final touches came last March and it went into force on April 1 — and this closed the gap to a more realistic level. A provisional formula granted Air New Zealand about 90,000 seats and Air Pacific 50,000.

Air Pacific executives expect fresh negotiations soon for next year's agreement to be even more favourable.

By August, says commercial manager Kit Naidu, his airline should be able to count on something like about a 44 per cent share of the traffic starting next April 1.

Calculated from an origin destination formula yet to be agreed on, this new figure would represent a drop from the present imbalance of around 40,000 seats on offer to under 15,000 — a major coup for the airline.

It is difficult to see Air Pacific being able to take advantage of this at the moment because the airline's BAC 1-11s have not got the extra range needed to reach Christchurch or Wellington.

And there are no plans for buying larger aircraft for two reasons: they could not be readily used at airports such as Nausori, Apia, Honiara and Fu'amu (Tonga); and the airline is convinced the wide-bodied jets will rapidly become aircraft of the past as their high fuel costs price themselves out of the market.

Air Pacific's present fleet of three BAC 1-11s (two 475s and the older 400), two HS748s and two Tridents is being boosted by two Brazilian-built 19-seater Bandirantes for new major domestic routes being introduced.

"We are constantly looking for new types of aircraft for our regional network," said Captain Bodger.

Aircraft size is also a problem for plans to extending services to Australia. Air Pacific have generally found Qantas, however, a sympathetic airline to deal with. This is mainly because the Australian carrier does not have the competitive interests in the South Pacific that Air New Zealand has, and this relationship could help to provide a solution.

"We're looking at Melbourne and Sydney and once again what is becoming very clear is that the conventional jet, as I call them, the old-fashioned jets, are pricing themselves out of the market on fuel and general costs," said Captain Bodger.

Air Pacific's ambitions at the moment are on the possibility of opening Melbourne and Sydney routes by chartering part of the Qantas Boeing 747 capacity.

"We may come to an arrangement — we're still discussing it with Qantas — where we buy seats on each of these services so that we can establish an Air Pacific identity with joint service numbers," said Captain Bodger.

Another possibility is taking over the Fiji-Tahiti route after the French airline UTA pulls out in October. Commercial manager Naidu is hopeful that it would pay in spite of UTA's withdrawal.

"What bothers me here is that from what we know of the French attitude to air rights, it will not be easy to get clearance for Tahiti," said Naidu.

By pulling out, UTA will leave an imbalance heavily in Fiji's favour as Air Pacific already operates flights to Noumea and on to Brisbane.

Air Pacific is also looking at package deals off-season low

providing capacity," admits Captain Bodger but adds the airline is confident of meeting demand.

Having expected the new bilateral negotiations to be wrapped up much earlier than they were, Air Pacific expanded its fleet by purchasing a BAC 1-11-400 from a small West German airline and the plane arrived last June.

The plane has, however, only recently gone into reasonably full use with Air Pacific, introducing three new direct services from Auckland to Nandi in May, giving the airline a total of nine weekly services from New Zealand.

The bilateral deal also gave Air Pacific the right to fly direct to a second point in New Zealand — a choice of Christchurch or Wellington — with Air New Zealand given the option of introducing a direct service to Suva's Nausori airport.

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Air Pacific is also looking at package deals off-season low

# Art gallery game suffers high casualty rate

by Molly Elliott

**T**HE Auckland Society of Arts lists 13 small private galleries in its Auckland Galleries Walk brochure, survivors in a business with a high casualty rate.

"But in this part of the world, our troubles are really eight months of the year," said Captain Bodger. "After busy seasons in May and August, we get a hectic time in December-January and that's about it. The rest of the time is really our off season."

Captain Bodger is an advocate of much closer co-operation between the airlines operating in the South Pacific.

Air Pacific executives expect fresh negotiations soon for next year's agreement to be even more favourable.

By August, says commercial manager Kit Naidu, his airline should be able to count on something like about a 44 per cent share of the traffic starting next April 1.

Calculated from an origin destination formula yet to be agreed on, this new figure would represent a drop from the present imbalance of around 40,000 seats on offer to under 15,000 — a major coup for the airline.

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ures and other lures from Australia and New Zealand to encourage people to travel to Fiji during the so-called seasonal troughs.

"Most galleries do not stick solely to exhibiting paintings. Initially, they must collect a body of work and try to live off it. Consequently, most need another source of income because New Zealand has too small a population to support a lot of galleries as such. New Vision, a long-established Auckland gallery, operates a flourishing shop with pottery, woodwork, weaving and jewellery.

By comparison, Grahame Chote's International Art Centre in Parnell, is one of the country's few wholly dealer galleries. It trades solely in early New Zealand paintings plus the work of Raymond Ching, notable for his bird paintings — and Chote owns every one of the paintings on display.

An unrepentant businessman, he studied at the Elam School of Art under artist like John Weeks. He decided to purchase a collection but found auctions the only source for the type of works he wanted.

Up till three years ago, he said, auction houses dominated this market, but no longer. It is now so difficult to buy top painters' work at auction that the occasional Goldie or Lindauer makes headlines.

Chote travelled the country buying at auction, perilous courses for the layman, he emphasises. He planned to buy rather than sell but business burgeoned to such an extent that he sold out his billboard advertising company and went into the gallery game. In a capital intensive venture, he sees himself as something of an investment broker.

His gallery, which holds regular showings of New Zealand artists' work, draws its main support from public galleries, Government departments and large corporations like the Fletcher Building, Arthur Yates and Co Ltd, Ford Motors, many of which have international contacts whom they wish to present a cultural image.

Even given this sort of percentage, how does a gallery make a living? It charges a commission (most will not charge how much, though artists generally consider it depends on all works sold). It may have exclusive rights to an artist's work but the Barry Lett Gallery for one, does not push this too hard since an artist must distribute his work as widely as possible.

It has a programme of fortnightly exhibitions scheduled months ahead. It concentrates on contemporary painting, sculpture and digital prints.

No matter how successful their exhibitions are, all galleries admit that the business has never been easy. The Barry Lett boasts 60,000 visitors a year, not all buyers by any means.

Do original local works represent a worthwhile investment? In their uniqueness, they are of great value. The cost of their work has moved beyond antique dealers' resources. For the \$5000 — at least — paid for one of their canvases, an antique dealer can buy a lot of bits and pieces, said Chote.

Selling is a problem for him, buying is. It has taken 10 years to build up his stock. He always has about \$1 million worth on display.

Though all types of people buy, geographically his Auckland market stretches from Parnell to St Heliers — beyond, such artists can paint at gathering stimulus from

other involvement like teaching which adds to their security, an advantage in their work.

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## Manufacturer wants balance

I WISH to comment on your two articles in the National Business Review of June 6.

Firstly, relating to the article on the Federation of Labour's support to a Labourer's Union call for a ban on 2,4,5-T. In my opinion I find it difficult to understand what advantage can be obtained by a public enquiry as regards the facts of the case and the decisions made, while fully realising it would allow various factions of the community to express their opinions.

However, my main reason for writing is concerning other points raised in the text which, although apparently of minor importance when viewed alone, do give an unbalanced view to the article.

The first sentence "Workers who apply 2,4,5-T . . ." is a very sweeping statement and in my view if it was qualified to read "Some workers . . ." would be much more in line with the situation. In fact we have been in close contact with contract applicators and other users for many years and would suggest that it is a very, very small vocal minority not widely experienced in the use of pesticides which have expressed their concern.

You will recall in our recent submission to the Select Committee on the Pesticides Bill, the company has recommended that applicators have representation on the board. However, as we all realise, every interested group cannot be directly represented on a board of this nature. All the public are represented by the Health Department on this board although I am sure some people may feel their best interests are not always being served.

The question of "dangerous use" of a product by a waterway has been misinterpreted by the workman. As with practically all herbicides except those used for weed control in waterways, there is a label statement cautioning against the contamination of waterways, drinking water, etc. This is common, good handling procedure, like washing hands before eating your meal. The main hazard concerned in the contamination of waterways with 2,4,5-T is the use of the water for irrigating sensitive crops and causing damage.

When talking about "truly environmentalists" Truth reporters may not be classed under this banner but my experience with this publication would indicate that whatever the reasons for the type of non factual, non researched, emotional trivia

much greater with gun application than when aerially applied.

There are a number of other minor matters on which I will not comment, but considering the balanced article which you prepared on 2,4,5-T last year we were disappointed in some of the opinions expressed in this issue.

R W Moffat  
Research Manager  
Ivon Watkins-Dow Limited

## Energy plot thickens

In a recent letter to NBR I suggested that critics of the Government's energy policy might be premature because the hoped for "grand design" for energy will be an integral part of any re-shaped

economic structure and both the "grand design" and new structure are still some way from realisation.

The first step however, despite your correspondent Mr D J Boswell, clearly was the 60 per cent bulk power increase. The magnitude of the increase compared with the earlier proposed 5 per cent simply proves the difference between a routine measure and a structural one.

That the Prime Minister in explaining the increase made no reference to a "grand design" for energy does not mean that such a thing is non-existent, it probably means the PM prefers to express himself more simply. In any case it is well known that most governments tend to keep their long term options undisclosed as far as possible.

The report in question did its original form state that there was "general agreement" on four main points concerning the freezing industry. A delegate from my party brought to my attention the words "general agreement" might not be appropriate. I then amended my copy to presentation to conference replacing "general agreement" with "views were expressed on the following four points". These points were listed in my article.

A number of delegates concerned with the Meat Workers' Union expressed themselves jointly to me about employees being responsible for the cost of their union officials. My views evidently were based on old fashioned union principles. However, they were annoyed about the words "general agreement" on this point. I pointed out it was my intention to amend this when I presented the report to conference. After all the report merely stated the topics discussed at the Sunday meeting. No resolutions were passed.

Mr Boswell's presumably frivolous suggestion that the Commission of the Future should look after electricity forecasting may in fact have some merit. The Commission could hardly do worse than the official Review Committee.

Mr Boswell's remarks seem to show a sense of grievance on the part of the electric supply authorities who feel they should have been consulted by the Government before the 60 per cent increase was announced.

One hopes that when more of the energy policy and restructured economy are revealed he will be prepared to take a wider view.

John Lalng  
Auckland

## Labour brand spreads rights

I WAS tickled pink that my problems as chairman of the Primary Producers Sunday meeting preceding the Labour Party's conference rated a mention in your excellent journal. A word or two of truth in providing the interesting full story is now called for.

Firstly, I am not a maverick in the Labour Party as your story claimed. A maverick is an unbranded calf or a masterless person. For many years the Labour Party has been my master and I have been proud to wear its brand. During this time I have stood by and supported party policy in its fullest entirety except for one notable occasion. I believe I can claim honestly that my politics have always surrounded issues and principles, never personalities. Funny you can in politics really ruffle feathers just sticking to issues.

On wool acquisition, my efforts in averting the same being inflicted on wool growers was consistent with the published Labour Party 1972 manifesto.

The policy and legislation to enact compulsory acquisition belonged to the National Party. Some in the Labour

Party became dazzled with prospects.

The National Party showed themselves still wedded to the extreme socialistic concept in 1977 when as a government they included the compulsory acquisition provisions in a new Wool Board Bill. The fact the same gentlemen voted against this provision in 1974 escaped their conscience. Many interesting angles about the antics of politicians can be found in the story of compulsory acquisition. May someone will write the story, the material is available.

To get back to the "raising of eyebrows" at the Labour Party conference over my report to that body regarding what took place at the Primary Producer gathering. It's also quite a good story.

In his most recent letter Mr Boswell suggests that electricity has become a political pawn.

However, other commentators have observed that if the Government had not responded to public concern and acted to review the excessive power requirement predictions of the last decade, the present energy problem would have been even more complex and unwieldy.

The Government has been trying to repair or restructure an economy which has suffered damage in many areas not least in electricity. The freezing of the tariff by Labour has had repercussions from which New Zealand is still recovering. One element in the restructuring is the move towards progressively providing more capital for future generation from tariffs.

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The press eliminates the need for high-density dumping — a system by which two conventional bales are compressed and bound together as a composite bale.

Ferriers exporting their wool to countries like Iran, where no conference exists, have been free from Wool Board restrictions. They have negotiated attractive box rates with up to 40 per cent reductions in freight rates.

The high-density press uses

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